



U.S. Department of Justice  
Federal Bureau of Investigation

418

**Financial  
Investigative  
Techniques  
Money Laundering**



ORIGINAL



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SECTION I

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FINANCIAL TRANSACTIONS  
AND  
TAX HAVEN COUNTRIES

Prepared By: I/A Irene Scire Hernandez  
Drug Enforcement Administration  
Office of Intelligence  
Financial Unit  
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Financial Transactions  
and  
Tax Haven Countries

There are various reasons why people place their money/assets in tax haven countries. Some reasons include a reduction in their taxes, a reduction in financial loss due to inflation, and, increased financial privacy.

For the drug trafficker, financial privacy is an indispensable aid in concealing the profits made through this illicit activity. There are a number of tax haven countries that provide this aid, Switzerland is a good example.

Switzerland has a long history of success as the world's greatest financial center. Minimal financial regulations and the Swiss bank secrecy law make this country a desirable tax haven.

In their haste to achieve the same success, many countries have passed bank secrecy laws which exceed Switzerland's in their all-inclusiveness and in the severity of their penalties.

Pure tax havens are countries having tax laws that exact little or no local tax and thereby permit accumulation of capital until it is returned to a higher tax nation. To some degree, every country is a tax haven. The United States can be considered a tax haven because it does not tax the interest earned by foreigners on the deposits they maintain in the United States' banks.

Pure tax havens exist because not every country has the same taxing ability or needs. In small, resource-deficient countries, higher tax rates are not efficient. It may therefore be more advantageous for those countries to levy little or no taxes on income, corporate profits, capital gains, dividends, etc. This would promote industrial development, or at least commercial/tourist growth to provide adequate jobs and incomes for its citizens.

The following is a listing of some of the no-tax/low tax countries and a comparison table.

NO-TAX COUNTRIES

Bahamas  
Cayman Islands  
Turks & Caicos Islands  
Vanuatu  
Nauru

LOW-TAX COUNTRIES

Bermuda  
Netherlands Antilles  
Channel Islands  
British Virgin Islands  
Monserret  
Panama  
Liechtenstein  
Monaco  
Bahrain  
Hong Kong  
Liberia

BANK SECRECY COUNTRIES

Antigua  
Bahamas  
Bahrain  
Bermuda  
British Virgin Islands  
Cayman Islands  
Channel Islands  
Hong Kong  
Liechtenstein  
Nauru  
\*Netherlands Antilles  
Panama  
Singapore  
Switzerland  
Turks & Caicos Islands

\* General Secrets Law

	BAHAMAS	BERMUDA	CAYMAN ISLANDS	CHANNEL ISLANDS	LIECHTENSTEIN	NAURU	NEW HEBRIDES	TURKS AND CAICOS
<u>Tax Haven Comparison Table (Ideal=5.0)</u>								
Accessibility (from U.S.).....	5.0	5.0	4.0	5.0	3.5	2.0	2.0	3.0
Communications.....	5.0	5.0	4.5	4.5	4.5	2.0	3.0	4.0
Foreign Exchange Freedom.....	4.5	4.5	4.5	4.0	4.5	4.5	4.5	5.0
Government Stability.....	4.5	4.5	5.0	5.0	5.0	4.5	4.5	4.5
Government Attitude.....	4.5	4.0	5.0	5.0	4.0	3.5	5.0	5.0
Laws.....	4.5	4.0	5.0	4.0	4.0	4.0	4.5	4.5
Professionals.....	5.0	5.0	5.0	5.0	5.0	2.0	3.0	3.0
Operation Conditions.....	4.0	4.5	4.5	5.0	4.5	3.0	4.0	4.0
Racial Conditions.....	4.0	3.5	5.0	5.0	5.0	4.0	4.0	4.0
Special Factors.....	4.5	4.0	5.0	4.5	4.5	4.0	4.5	4.5
Totals (50.0 Possible)	45.5	37.5	47.5	47.0	44.5	33.5	39.0	41.5

Special Factors refer to ease of incorporation; special exemptions offered and availability of bearer shares, Bank Secrecy, Corporate Secrecy, etc.

To take advantage of the benefits of these countries, there are numerous vehicles that can be used. These include:

- o International Finance Subsidiaries of U.S. Corporations
- o Banks and Trust Companies
- o Shipping Companies
- o Captive Insurance Companies
- o Finance Companies
- o Various Types of Holding Companies

Before we address how these vehicles are used, we should first look at how drug violators transfer their illicit gains to these havens. The first step in this process is the changing of small bills into large bills. This is called "refining" money. This is tedious work that includes visiting a number of different banks in order not to arouse suspicion.

The secret of transferring large amounts of drug money from the United States to a haven country, is to persuade a financial institution with access to international transfer facilities to accept an uncommonly large amount of cash.

There are several commonly known procedures to transfer such large amounts of monies:

- o Money Exchange: Money exchanges have been known to accept large amounts of cash. Using a dummy corporation, a violator will notify the foreign lawyer who represents his interests that he will be making a large cash transfer to his corporation's foreign account through a particular New York money exchange and ask that the bank please facilitate the exchange. Because of the bank's substantial legitimate dealings with the money exchange, the money exchange will be alert and will accept the cash from the courier and transfer it to the corporation's foreign account. This is done as a professional courtesy.
- o Brokerage Houses: Brokerage houses have also been known to accept large quantities of cash if they believe they are really executing orders for an important foreign bank or for a respected customer of a foreign bank. A foreign bank, unknowingly representing a drug violator, places an order with a broker for large sums in securities advising that their courier will pay for them on the settlement date. The courier arrives and pays the broker with cash or bank check.

If the broker is suspicious, the courier can go to a money exchange and exchange the U.S. currency for foreign currency, e.g., Swiss Francs or go to a money exchange or bank and change it into a cashier's check. Sometimes the above ruse is unnecessary. The broker will accept cash if a bank notifies the broker in advance and approves the transaction. Later the bank official will pick up the cash.

- o Lateral Transfer: Lateral transfer have been used by drug dealers in America as a convenient way to payoff their suppliers without physically exchanging money. Using lateral transfers, a heroin dealer simply instructs his bank to transfer payment to the bank of his supplier.

Lateral transfers became popular during the Viet Nam War. The black market exchange of U.S. dollars for Vietnamese Piasters was more profitable than the official rate. A serviceman in Viet Nam would notify his American bank in the United States to transfer funds from his account to the American bank account owned by the person having the Piasters in Viet Nam. Once the transfer was effected, the serviceman would be given Piasters at the black market rate.

- o Hand Payments: Aside from utilizing financial institutions with international transfer facilities, a drug violator can have his monies hand carried to a foreign country.

The best method of smuggling to these countries is to have a courier take the money their in either a suitcase or a moneybelt. This would leave no paper trail.

There are several routes couriers can take when smuggling currency. Couriers can travel to Canada; the offshore Caribbean Islands, or the numerous European countries for deposit in branches of foreign banks.

Money couriers are lawyers or businessmen who ordinarily make trips to foreign countries. They smuggle dirty money for themselves, friends and business associates.

Other couriers go by the title of "bank agents". In some cases, these agents are salaried employees of Swiss and Caribbean banks. Swiss bank agents are most prevalent in South America where they open Swiss bank accounts and smuggle money to these accounts for affluent Latin Americans. Laws in most South American countries forbid sending money out of the country.

- o Money Orders: Another method of smuggling dirty money is to buy a number of money orders from an American bank, leaving blank the name of the payee. The money orders are then made out to a foreign bank and sent through the mail or carried by a courier.

#### REPATRIATION OF MONEY

After dirty money has reached a Swiss/offshore bank or dummy corporation either by cable, courier or corporate transfer, only part of the laundering cycle has been completed. To complete the cycle, it is necessary to repatriate the once dirty money in such a way that it appears to have been earned from a legitimate transaction.

Repatriating money refers to transferring money back to its owner's country of origin. Repatriating money is often done in the guise of a bank loan. Thus, the "loan-back" technique.

- o Illustration of the Loan-Back Technique: A New Jersey gambler has \$500,000 in bookmaking profits hidden in a Swiss account. In order to repatriate this dirty money, he decides to invest it in a chain of Long Island car washes costing \$1 million. To finance his purchase, he makes a down payment of \$50,000 in "clean money", which has been declared to the government and properly taxed. He then takes out a legitimate \$450,000 first mortgage from a bank and "borrows" the remaining \$500,000 from his Swiss bank. This \$500,000 is in fact, money from his own Swiss bank disguised as a legitimate loan.

In order to perpetuate this loan charade, the gambler repays the \$500,000 as if it were a legitimate loan. This repayment includes interest charges. In this way the loan-back not only allows a dirty money man to repatriate his money, but also gives him the chance to pay himself interest and deduct these payments from his taxes. This slick "double play" has made the loan-back the most popular method of bringing dirty money back to the United States.

The fact that he must repay the principal on the loan does not bother the criminal, since, he chooses, as soon as these payments have been made he can immediately relend the money to himself. Through a continuous use of the loan-back technique, a criminal can recycle his money between the United States and Switzerland on a perpetually moving conveyor belt that connects the criminal, his Swiss bank and dummy foreign companies together with his legitimate American business enterprises.

The cooperation of the Swiss bank is not needed to complete the loan-back. In fact, in only a few instances is the money tendered directly from the bank to the criminal. Usually it travels through a number of layers of insulation, and the Swiss and other financial institutions involved may not even suspect that the loan is not legitimate.

To provide more insulation, the foreign representative or the courier who originally brought the money to Switzerland often transfers the money from the Swiss bank account or another account owned by a dummy foreign company "headquartered" in Liechtenstein, Panama, the Bahamas, etc. The foreign company then tenders the "loan" to an American lawyer or a dummy company in the United States which is associated with the American criminal. The apparent legitimacy of this loan is reinforced by the fact that the transfer facilities of the large international banks are used to move funds between Europe and the United States.



- o Direct Investments: Instead of using a loan-back to penetrate legitimate business, a criminal may make his investment directly, using one of his dummy foreign companies as a front. Legitimate businesses sometimes agree to accept a new criminal "partner". This partner then makes his new investment with dirty money funneled through one of his foreign companies.

A legitimate business bought with money that has been laundered abroad can in time be used as a domestic "laundromat". Any kind of business in which it is possible to fake an increase in the volume of business on paper and then feed dirty money into the receipts can qualify as a domestic laundromat. Such businesses include car washes, bars, lounges, motels, vending machines, etc.

- o Profits from successful foreign business or stock/real estate transactions: Another method used to repatriate dirty money from a Swiss or other foreign bank, is for a criminal to disguise his dirty money as a profit he claims to have earned from a successful foreign business or stock/real estate transaction. He then pays legal tax (approximately 25%) and has legitimized 75% of his funds which he can use or enjoy.
- o Purchasing your own property: Using money held in a foreign bank account to secretly buy your own property is another favorite laundering technique. By transferring funds to your secret dummy Liechtenstein trust, the criminal can buy his own business (car wash) and repatriate even more money to the United States.
- o Double Invoicing: Double invoicing (over pricing) is a good technique for laundering money. A U.S. company orders (buys) from its foreign subsidiary merchandise at an artificially high price. The difference between this price and the real price is deposited by the subsidiary in a special Swiss or Caribbean account. The reverse is the U.S. company selling merchandise at artificially low prices. The difference between the two is again deposited in a secret foreign account maintained by the U.S. company.

Example: A Dutch company obtains from a British company, an agreement to pay for goods received against two invoices for each shipment. One invoice, the smaller of the two, is paid directly to the Dutch firm in the normal way against shipment or sight of goods. The second invoice usually representing the difference between the smaller invoice and the real price of the goods, calls for payment directly to the bank account of the Dutch company in Switzerland.

Using the above scheme, a criminal can form a corporation and double invoice non-existent products. The cost for incorporation is only a few hundred dollars.

o Fiduciary Accounts:

A fiduciary account separates your name from the account. The fiduciary deposit occurs through your authorizing your Swiss bank to place a given deposit for a specified period of time with another bank outside Switzerland. The funds are placed in the name of the Swiss bank but at your risk, the fiduciary connection. The deposits are not subject to the 35% withholding rate or negative interest, as the interest is earned outside Switzerland.

A fiduciary in Italy is a cross between a trust agreement and an investment company. It is intended to be used as a vehicle for general investment by groups of individuals or families with sizeable sources of funds within the country. A fiduciaria can legally invest or hold funds outside of Italy where an individual cannot. It can also bring funds in the country.

Customs in Chiasso, Switzerland, found an envelope in a suitcase on a train going Milan-Zurich. This envelope revealed that two brothers (owners of a pasta empire in Italy) held bank accounts outside Italy and mostly in Switzerland with almost \$50 million there. These brothers circumvented Italy's tight currency outflow control through the use of fiduciaria.

o Omnibus Accounts:

Swiss and other foreign banks maintain "omnibus accounts" at American brokerage houses. An "omnibus account" is a variety, general, all purpose account of a Swiss/foreign bank. Through the use of a Swiss bank's omnibus account, a criminal with a bank account at that Swiss/foreign bank would instruct his bank to purchase/sell certain securities. The Swiss bank would telex or call the brokerage house with which it maintains an omnibus account and instruct the broker to purchase these securities. The broker's records would show the bank as the purchaser/seller and not the criminal.

o Corporation and Trusts:

The establishment of corporations and trusts in tax-haven countries is a popular method used to launder money by criminals. Some of the more popular methods are:

1. International Finance Subsidiary: This is usually an arm of a large multi-national corporation and arranges debt financing abroad.
2. Banks and Trust Companies: These companies are able to pay tax-free deposit interest, their direct participation in international corporate financing and their use to establish trusts and companies in the haven for external customers.

A foreign trust is a trust created by an individual in a country other than his country of residence, normally in a common-law jurisdiction. Common-law jurisdictions are usually chose because the law governing trusts developed in England over the centuries.

A foreign trust is a pact that binds the trustee to deal with the trust property for the benefit of designated persons (the beneficiaries). Five necessary conditions are: (1) trust must be administered outside the United States; (2) trustee must be foreign, preferably a corporation with no U.S. branches; (3) trust assets should be kept outside the United States; (4) trust must be formed and governed by laws of foreign country; and (5) trust should not have a discretionary United States advisor.

3. Holding Company: A holding company generally has a substantial participation in the companies whose shares it holds including a voice in their management.
4. Finance Company: This is a form of holding company established within a multi-national company group to hold debt instruments and occasionally stocks of other companies.
5. Investment Companies: An investment company generally is a mere portfolio investor with no real participation in the management of the companies whose securities it holds.
6. Captive Insurance Companies: These are large corporate self-insurance programs which insure certain risks of a corporation's subsidiaries and affiliates (foreign, generally speaking).
7. Shipping Companies: Shipping companies have long been given substantial tax and non-tax advantages through registry in shipping havens.

The United States taxes domestic companies on their worldwide income, but not on their foreign-source income, except certain cases.

- When patents, copyrights, trademarks and royalties are involved, such as in films, video programs, records, and the like, establishment of companies to receive the funds generally make sense in havens where tax treaties exist. The patent, copyright, trademark, royalty areas permit revenue earned in the U.S. to be transmitted with U.S. withholding tax to the haven.
- Establishing a tax-haven company which buys its product from an unrelated company, perhaps in the U.S., and sells to an unrelated company outside the U.S. is a viable method.

- Investments in unimproved land, even in the U.S., are relatively clear of U.S. tax complications when accomplished through an offshore holding company.
- With any these "legitimate", tax exempt, foreign businesses it is important to note that their U.S. tax liability is only deferred indefinitely, not obliterated or forgiven!

### Bahamas

#### Principal Attraction:

- Bank Secrecy
- No income, capital gains, gift, inheritance or estate taxes

#### Other Attributes:

- Ease and Low Cost of Incorporation
- Trust Establishment
- Captive Insurance Companies

### General Information

The Bahamas is considered a viable tax-haven country. The Bahamas is not a party to any tax treaties and does not impose income taxes, capital gains tax, gift, inheritance or estate taxes. Bahamas is also a bank secrecy country.

There are two types of Bahamas companies. There are resident or non-resident companies.

Resident companies are defined as firms carrying on business in the Bahamas or owned in part or all by Bahamian residents. The companies incur annual tax expenses ranging from \$250 to \$1,000.

Non-resident companies are specified as companies which do not do business with the Bahamas and do not have any Bahamian shareholders. These companies incur an annual tax expense of \$100 and work permit fees are obtainable.

The use of nominee shareholders is standard practice in the Bahamas. A permit is required by a non-Bahamian citizen wishing to take up residence for more than eight months, or wanting to be employed or wanting to engage in business. For a senior professional the fee is \$5,000.

An individual wanting to go into the manufacturing of government designated "approved products" enjoys several incentives. These include duty-free importation of raw materials and machinery and tax exemptions. "Approved products" are products whose manufacture will benefit the Bahamas, both economic and social considerations are taken into account.

Any income from sales of products or goods manufactured in the Bahamas is not subject to current U.S. taxation, even though the purchase of some items would involve the parent U.S. corporation. When profits are returned to the U.S. company in the form of dividends, they are taxable.

A trust can be set up on the Bahamas with the trust assets kept in another nation. If it is a non-resident trust, assets may be invested in any currency.

There are three general guidelines for accepting trusts by Swiss banks in the Bahamas. They are: (1) No U.S. beneficiaries; (2) minimum requirement of \$250,000 corpus and (3) they won't accept "work-intensive" trusts (those which require extensive work by their people. except on a case-by-case basis.)

In late 1981, the Bahamian Government drafted new legislation which would afford secrecy to captive insurance companies in the Bahamas. Since that time more than 20 captive insurance companies have established operations in the Bahamas.

#### Bermuda

##### Principal Attration:

- Bank Secrecy
- Captive Foreign Insurance Companies

##### Other Attributes:

- Offshore Mutual Funds
- Vessel Registry

##### General Information

Bermuda imposes no income, capital gains, sales, dividends, remittance, accumulated profit, estate, inheritance or death taxes. Bermuda is a useful haven for persons wishing to incorporate a captive foreign insurance company, trust establishment, offshore mutual funds and registry of foreign vessels.

Captive insurance companies (1,100 as of August 1981) are usually incorporations which are called "parent" companies. A captive insures primarily the foreign risks of its multi-national parent which could otherwise be covered only at a rate the parent considers prohibitive. Captives can give their parent equivalent coverage at a lower cost. Also, a captive is not restricted by American insurance laws and it can choose to make speculative investments that would be illegal in the United States. Premiums made to captives by its American parent are a deductible expense on the parent American's tax return. By having high premiums, the parent company can siphon untaxed funds out of the United States.

Insurance companies in the tax haven are usually not subject to rigorous regulations. Once a person has incorporated one and loaded it with bad paper (stolen, fraudulent, counterfeit securities or bad checks), he can start to write policies and collect premiums.

Bermuda also provides favorable trust operations. There are no limitations or restrictions on accumulation of income, absence of currency controls and income taxes.

Offshore mutual funds are available in Bermuda and provide anonymity for the investor and a high yield to investors due to Bermuda's no tax status.

Vessel registry can be accomplished in Bermuda through the use of Exempted Shipping Companies. As of July 1982, approximately 122 commercial vessels were registered in Bermuda.

#### Cayman Islands

##### Principal Attraction:

- Bank Secrecy
- No tax status
- Most stable country in the Caribbean

##### Other Attributes:

- Exempted Trusts & Companies
- Purchase of Cayman property by non-residents
- Domestic & Offshore Insurance Companies

#### General Information

One of the more popular tax havens is the Cayman Islands. To take advantage of the Cayman's tax benefits is to establish a trust or company.

Trust development in the Caymans is almost identical to those circumstances in the Bahamas with one exception.

Caymans permit the establishment of "exempted" trusts which carry a government guarantee that no taxes will be imposed on them for a period of 50 years from the date of establishment provided no beneficiary becomes a Cayman resident. The trust may have a fixed duration of 100 years, an exception to the common-law rule against perpetuities.

A trust can be administered by a bank (Swiss, if you like) in the Caymans with the trust assets located elsewhere, i.e., other haven country.

Non-residents could own Caymanian property through a trust or company subject to certain stamp taxes. While property is expensive, it is less so than Florida's better areas.



To qualify as a non-U.S. controlled foreign corporation several partners would own more than 51% of the company. The U.S. firm could still own the largest single block of shares and still essentially maintain control of the corporation.

The non-U.S. controlled foreign corporation in the Caymans can purchase U.S. products and make adjustments or assemblies before reselling them to the European and South American markets. This process should actually involve real manufacturing, which can be accomplished by purchasing a key item required for foreign use from another firm. The U.S. firm could be taxed on the basis of products sold to the Caymans, but the profit made between this price and the modified unit would not be taxable in the U.S. or Caymans.

"Exempted companies" are used by foreigners who wish to have the Caymans tax advantage but who do their main business outside the islands. An exempted company may not trade in the Cayman Islands except in furtherance of its business carried on outside the islands. Exempted companies need not reveal the identity of shareholders and bearer shares may be issued.

Shares in a Cayman company may be issued for cash, property, or services. A Cayman company can also issue several classes of shares, i.e., voting versus not-voting; dividend versus non-dividend, as well as preferred (redeemable) stock.

There are approximately 500 domestic and offshore insurance companies in the Cayman Islands.

#### Channel Islands

##### Principal Attraction:

- Bank Secrecy
- Non-Resident Trusts & Corporations

##### Other Attributes:

- Captive Insurance Companies (Guernsey)

##### General Information:

As the Channel Islands (Jersey and Guernsey) are not part of the United Kingdom, they retain full powers to establish their own levels and means of taxation. This they have opted to do at the point of 2% of net income for both corporations and individuals. However, an important caveat to this taxation law makes certain companies subject to only an annual tax (about \$525), similar to the annual fees in the Caymans and Bahamas.

Although there is no trust law per se in the Channel Islands, they do follow the same rules and regulations maintained under common-law as



in the Bahamas and Caymans. In the Channel Islands, a document known as a Declaration of Trust can be executed by a trust officer and your name as settler need never appear on the trust documents.

In order for a trust to be declared non-resident, the tax authorities must be convinced that the trust's settler (grantor) and beneficiaries are non-residents. Then they will be taxed only where it is created (resident) on income arising there.

Channel Islands non-resident companies are known as corporation tax companies. In order to be non-resident, either the place of formation or the place of control of the corporation, the latter evidenced by where directors' meetings are held, must be outside Jersey/Guernsey (another European or have country). The company must keep a list of shareholders (can be nominees), directors, annual meeting notes, etc. Bearer shares are not permitted.

There are approximately 80 captive insurance companies on Guernsey.

#### Hong Kong

##### Principal Attraction:

- Bank Secrecy
- No Tax on Foreign-Source Income

##### Other Attributes:

- 3rd Largest Financial Center in the World (After NY & London)

##### General Information

Hong Kong is the most important tax haven in the Pacific. Hong Kong's principal advantage is its lack of taxes on any foreign-source income for companies incorporated there and the absence of taxes on capital gains, business turnover and remittances transferred from the crown Colony. The local source tax rate is now 17%. Free exchange rates exist for nearly all currencies. Interest income is subject to a 15% tax.

Private companies may have up to 50 shareholders and are not required to file financial statements. Public companies must have over 50 shareholders and their annual statement is publicly published. Bearer shares are allowed and the use of nominee shareholders is practiced.

The entire colony of Hong Kong is a freeport. Therefore, the government does not impose any customs duties, except for import of tobacco products, liquor, toilet preparations, medicines and hydrocarbon oils.

## Liberia

### Principal Attraction:

- No Tax on Foreign Source Income
- Registry of Vessels

### Other Attributes:

- Ease of Incorporation

### General Information

Liberia is the only tax haven country in Africa. Non-resident companies which are more than 50% foreign owned, are not taxed on their foreign-source income. It does however tax their domestic income. Liberia has no exchange controls.

Liberian corporations can be formed within 48 hours, annual meetings can be held anywhere, no government reporting requirements and bearer shares may be issued. Because bearer shares are permitted, anonymity can be preserved.

Company records, by-laws, financial statements, shareholder lists and annual reports are neither published nor provided to any government agency. Such information is available only from the individual company.

Bank information is generally not available by local custom.

Foreign or non-Liberian trusts or corporations owning or operating a Liberian flag vessel are exempt from taxation on gross earnings if the trust or corporation is registered in Liberia and either maintains a business office in Liberia or appoints a qualified resident business agent. These vessels must not be engaged exclusively in Liberian coastal trade.

## Liechtenstein

### Principal Attraction:

- Bank Secrecy
- Trust & Corporate Secrecy

### Other Attributes:

- Proximity to Switzerland

### General Information

The establishment of trust or corporations in Liechtenstein is an effective way for a criminal to provide double insulation from curious parties.

Liechtenstein law does not require that the names of the real owners of a company be registered. Only the name of the company or trust and the name of the lawyer who manages it must be listed with the government. Therefore, only the Liechtenstein lawyer knows the real owners. The real owner can also instruct the lawyer to open a Swiss bank account in the name of the sham company.

Some criminals prefer to have a Swiss banker arrange for the incorporation of their Liechtenstein company. The Swiss banker is therefore listed by the lawyer as the owner of the Liechtenstein company. Ownership can then only be proven by a copy of the trust agreement the criminal has made in secret with the Swiss banker. For safety, the criminal can hide this secret agreement in a safe deposit box in a Bahamian bank.

In Liechtenstein, a Stiftung is a foundation/corporation; an Anstalt is a trust/corporation; and an Actiengesellschaft is a corporation.

A Stiftung is most similar to a U.S. charitable foundation, with one significant difference. The beneficiaries are private, non-charity individuals. The person founding the entity does not acquire the traditional founder's right to control or ownership of funds. The responsibility is vested in a board. The board is generally given broad powers to amend the articles, add or delete beneficiaries or even dissolve the foundation. A Stiftung cannot be used to engage in business.

The more well-known Liechtenstein entity called an Anstalt, or establishment, brings certain characteristics of a trust into conjunction with the person corporation. It is a corporation without issued shares controlled by the founder for his/her benefit or for others. The founder (or current holder of the founder's certificate, which is a bearer instrument evidencing all the ownership rights of the entity) has the power to amend the articles or incorporation, appoint or remove directors and also give the Anstalt beneficiaries.

An Anstalt need not be profit making, nor does the object of it have to be an operating business, it can hold financial interest in foreign firms or exercise control over them (in the sense of holding or investment company).

There are two forms of Actiengesellschafts (AGS) in Liechtenstein which receive preferential treatment. When it holds investments in other companies or intangible property rights such as copyrights, patents and so on, it is designated a holding company. When the AGS has its headquarters or domicile in Liechtenstein, but carries on no commercial activities there except operation of an office, it is termed a domiciliary company. Both of these corporate types pay no regular income tax, but only 0.1% annual tax on capital and reserves as with the Anstalt and Stiftung, plus a 4% tax on most dividends and interest. Bearer shares are permitted, comprising either the total capital or some part.

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## Monaco

### Principal Attraction:

- Low/No Tax Status

### Other Attributes:

- Banking Information Generally Not Available

### General Information

Companies doing more than three quarters of their turnover in Monaco pay no tax. A company with administrative officers in this country but doing no business there, pay an effective tax of 2.8% of its local office expenses only.

Monaco holds the distinction of being the only country on the European continent except for Andorra that obtains from a state income tax on individuals. The tax-free living in this principality attracts numerous wealthy expatriates, including a good many Greek citizens, who can afford the relatively high cost of living and whose expenditures are a welcome source of income.

## Nauru

### Principal Attraction:

- Bank Secrecy
- Trust Establishment

### Other Attributes:

- Insurance Companies

### General Information

Nauru has no taxes of any kind except import duties.

Trust law in Nauru is the same as the law of England, except for several significant differences:

1. No rule against perpetuities;
2. No restriction on accumulation of income;
3. Trusts may be of perpetual duration; and
4. Trustee must be a permitted Nauruan Trust Corporation

Nauru places no restrictions on the organization of insurance companies. Therefore, businesses wishing to insure risks in the Central and South Pacific would find Nauru a good location for establishment of a foreign-base insurance company or an offshore mutual insurance company.

Incorporation in Nauru can be accomplished by filling out one or two simple forms and mailing them to one of the two registered corporate agents in Nauru. Within 48 hours of receiving these forms, a corporation can be established. Holding companies incorporated in Nauru are covered by secrecy laws.

#### Netherlands Antilles

##### Principal Attraction:

- Low Tax
- General Secrets Act

##### Other Attributes:

#### General Information

In the Netherlands Antilles there is a "free zone" where the tax on companies operating in it is just 2% of the net.

There is a tax treaty between the Netherlands Antilles and the United States. Therefore, investment or holding companies in the Netherlands Antilles can choose between the U.S. and the Antilles for tax payments.

As a rule, banks will not release specific information regarding a client's account to a third party. Each bank has its own policies and some may reply as to the presence of an account in giving generally credit information to third parties.

Although information on companies incorporated in the Netherlands Antilles is available, the use of nominee shareholders is generally practiced and bearer shares are permitted.

#### Panama

##### Principal Attributes:

- Bank Secrecy
- Corporate Secrecy

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#### Other Attributes:

- Low Tax
- Vessel Registry

#### General Information

The key attributes of Panama as a haven include not taxing foreign source income of either companies or individuals and the low cost of company organization. Panama also permits change of corporate domicile both into and out of the country. Shareholder or director meetings can be held in any location; there is no tax on bank interest and Panama is a bank secrecy country. Also, in Panama, the real owners of a Panamanian company are not required to reveal their identities. Instead, they can operate through a Panamanian lawyer.

In 1976, Panama passed a reinsurance company law which has stimulated the reinsurance business from \$20 million to \$100 million. As of July 1982, 36 companies have been established in Panama handling offshore insurance and 26 are issuing reinsurance through the Latin American Reinsurance Syndicate.

Vessels registered under the Panamanian flag, which may be accomplished by a Panamanian attorney or Management Servicing Company, are not subject to Panamanian taxes. This is due to the fact that their earnings are derived in great measure from outside of Panama. Panama also allows shipowners to use the Panamanian registry but fly the flags of other nations. In October of 1982, some 10,500 vessels were registered in Panama.

#### Switzerland

##### Principal Attraction:

- Bank Secrecy
- Good Reputation

##### Other Attributes:

- Trust Establishment
- Campione

#### General Information

Switzerland is probably used less than other tax haven countries for incorporation of companies because (1) the government withholds 35% of corporation interest and dividend payments; (2) substantial minimum capital must be paid in; (3) and the majority of directors of a Swiss corporation must be Swiss citizens. However, Switzerland's history as a major worldwide financial center continues to attract a large audience.

There are several different types of corporations/companies in Switzerland.

When the primary business is the administration of holdings in other firms they are considered "Holding Companies". The companies are assessed a small tax based on paid in capital, plus a low federal income and net asset tax.

"Participation Companies" are mixtures of a holding company and an operating company, with the distinction that administration of holding must not be the primary business. These are also given favorable tax treatment in about one-third of the cantons.

Service and Domiciliary Companies are those based in Switzerland, but primarily serve foreign interests, servicing foreign firms in the first case, and not engaging in any business in Switzerland in the second. Federal income and capital taxes are applicable in both types of firms.

Interest paid in Swiss savings accounts is taxable in Switzerland. It is withheld by the bank or savings institution for the government. This withholding rate is 35% of the net interest paid. There is one way however, to avoid negative interest withdrawal restriction and withholding tax, this is by having a fiduciary deposit.

The Swiss banks will arrange a trust for you, either through their Liechtenstein connections using that principality's form of trust, the Anstalt; or send the request to their U.S. attorneys to establish a U.S./English form and have it administered through their offshore facilities in the Bahamas or Caymans. By having the Swiss bank arrange a trust for you, you receive the added benefit of privacy. Having a Swiss bank arrange a trust for you, is probably the most effective way to utilize the Swiss banking system.

Switzerland is also used to hold companies organized in the Italian enclave known as Campione. Entirely surrounded by Switzerland, Campione is a miniature tax haven situated in the Swiss Canton of Ticino with no income taxes for individuals or companies not doing business with Italy. It is easy for individuals to establish a residency in Campione. Swiss banking and customs regulations apply in Campione, with the usual Swiss bank secrecy laws practiced. One of the advantages of the Campione company operating out of Switzerland is that shareholders may have complete anonymity.

#### Turks and Caicos Islands

##### Principal Attraction:

- Bank Secrecy
- No Tax Status

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Other Attributes:

- Ease and Low Cost of Incorporation

General Information

The Turk and Caicos Islands do not impose income, capital gains, corporation, dividends, property, sales or gift taxes.

Incorporated can be accomplished in one day and the cost is minimal. Corporate documents usually list nominee shareholders and confidentiality laws prohibit law enforcement agencies from discovering the true owners.

Trusts are not advised because no trust law exists.

Vanuatu (New Hebrides)

Principal Attraction:

- Bank Secrecy
- Captive Banks

Other Attributes:

- Vessel Registry

General Information

Vanuatu permits exempted companies which enjoy freedom from direct taxation and strict secrecy. Trusts may be established in Vanuatu where the government does not levy any tax on trust income and there are no estate or inheritance taxes on trust property.

Vanuatu law provides for the establishment of captive banks (Hebanks). Benefits provided by Hebanks include minimum paid in capital of only \$160,000 which may be kept on deposit in any bank in the world; interest earnings from deposits in American banks are free of withholding taxes; complete secrecy and privacy; may deal in any currency and may keep deposits in any bank in the world, etc.

In 1981, Vanuatu adopted regulations to encourage registry of foreign owned vessels.

Summary

Through this report we have addressed the various ways in which a drug trafficker can attempt to refine, expatriate and repatriate his drug proceeds in an effort to safeguard them. In many cases, the drug violator succeeded in safeguarding his monies.

DEA, however, has also been successful in uncovering these illicit caches of monies - both in the United States and overseas. Recently, the Swiss government removed their veil of secrecy and seized \$3.2 million from several Swiss bank accounts belonging to a major cocaine violator. This action was a result of a request submitted by the U.S. government, pursuant to the U.S.-Swiss Judicial Mutual Assistance Treaty. In Tennessee, DEA seized in excess of \$70 million in assets linked to a large scale international marijuana organization. These are just two examples of what has been accomplished by DEA in the area of financial investigation. In fact, fiscal year 1982 asset removal statistics show in excess of \$190 million in asset seizures.

An awareness of and proper emphasis on the financial aspects of every drug investigation should guarantee even greater successes in the area of asset removals in the upcoming years. Hopefully, this report has increased your awareness, if not your interest in the financial aspect of drug investigations.

The preceding information should familiarize the reader on each of the major tax havens and the primary way in which they are used. All of this information on tax havens was obtained from academic sources which are listed in the attached bibliography.

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SECTION II

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EFTS: ELECTRONIC FUNDS TRANSFER SYSTEMS

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10.1 INTRODUCTION As computer and telecommunication technology advance financial institutions are greatly expanding their usage of Electronic Fund Transfer (EFT) Systems. This has partially been brought on by the realization that constructing "brick and mortar" buildings is a costly method of spreading financial services to new market areas.

Since the growth and technology of EFT cannot be predicted and varies regionally, it is important to fully understand the impact of newly introduced EFT systems. Thus, this section will provide the examiner with a basic understanding of various retail and wholesale EFT systems as well as identify additional control measures that must be considered when the transfer of funds occurs electronically.

The evaluation of EFT cannot be done without reviewing related areas. For example, if the procedure used to change names and addresses were loosely controlled and poorly documented, an employee could participate easily in an EFT fraud using counterfeit cards. Additionally, internal and external audit involvement must be considered for each section. Audit should be consulted on each new EFT system and should thoroughly evaluate each system on a regular basis.

10.2 COMMUNICATION GUIDELINES Most EFT systems will require the transmission of information. This information may consist of personal identification numbers (PINS), passwords, or other identifying keys as well as account numbers, balances and financial data relating to transactions. Since data security is vital at point of entry into the EFT system, during transmission to the end user, and while stored at the users' central computer, the overall communication process should be evaluated to determine the weakest link.

Line Security The weakest link may reside in the communication lines since telephone hook-ups are normally used. Therefore, the use of dialup common carrier lines is generally unacceptable for EFT use except when used for backup. Even dedicated leased lines are susceptible to line penetration or interruption as discussed in subsection 8.4.

Encryption Although the need for data line encryption and data base encryption of PINs and other sensitive information is generally recognized, many data processing sites do not exercise special control over personnel who have access to communications equipment. Consequently, personnel could monitor and record data flowing out of decryption devices (which is in clear text), and effectively subvert the system.

The use of encryption should be strongly recommended because the storage of PINs, passwords, and other identifying keys on the central computer should not be done in clear format which would allow relatively easy access. Financial institution personnel should consider encryption as a means of protecting data throughout the EFT system particularly as it relates to PINs, passwords, other identifying keys, and other sensitive data. Refer to subsection 8.4 for a discussion of encryption for transmission.

Most major vendors of Automated Teller Machine (ATM) and Point-of-Sale (POS) equipment offer encryption capabilities of either their own algorithm or that of the National Bureau of Standards. The Bureau's Data Encryption Standard (DES) is a reversible encryption technique which has been adopted as a Federal Information Processing Standard and is generally accepted as a relatively secure encryption method. As indicated in subsection 8.4, irreversible encryption may be beneficial for internal storage of PINs.

Backup There must also be a careful evaluation of the adequacy of contingency plans in the event that normal communication lines are not available for EFT transactions. The confidentiality of data must be considered and must be maintained in backup or alternative systems of communication.

#### 10.3 TERMINAL SHARING/ NETWORK SWITCHING

In an attempt to lower costs and give more widespread service, financial institutions have begun sharing EFT facilities to process retail EFT services such as POS, ATM, and telephone bill payment transactions. Some financial institutions are required by state law to share such facilities and others are voluntarily sharing them. Primarily, sharing of EFT facilities takes place on a local or regional basis, however, technically it could take place on a nationwide basis.

Electronic funds transfer systems can be shared in various ways. Common ways in which they may be shared are:

- o A multi-bank holding company EFT network servicing affiliated banks.
- o A single institution's proprietary EFT network shared with other institutions for a fee.
- o An EFT network formed and shared by more than one similar type financial institution (i.e., savings and loan associations).



- o An EFT network formed and shared by different types of financial institutions (i.e., commercial banks and credit unions).

Regardless of the type EFT service being performed, some arrangement must be made to allow a shared terminal or computer to communicate with other terminals and/or computers. Network switching is an economical arrangement that allows temporary connection between any two stations. There are two types of switched networks:

- o Line-switched--Commonly used in real time environments. Messages are directly sent from one station to another when the central switching site establishes the connection.
- o Store-and-forward--The central switching site stores incoming messages and retransmits the messages to their destination at a later time.

The primary concern whenever an EFT facility is shared by two or more financial institutions is security and confidentiality of customer data. This concern becomes critical when part of the switch is inoperable or when line problems develop which could interrupt the normal transfer of information through the switch. Therefore, adequate audit trails must exist for all transactions and should include traceability to the originating terminal. All rejected items should be properly reported, including reason for rejection, and accounted for. The use of consecutive transaction numbers as an integral part of the message is essential in shared systems. Program validation of transaction numbers makes system subversion more difficult and is valuable in tracing transactions during settlement procedures.

There must also be adequate procedures for what the merchant clerk and/or customer must do in the event that the shared system goes down during a transaction. Steps to prevent double or incomplete posting should be documented. From a control standpoint it would appear to be better for the switch to discontinue operation in the event of any break in communication thus eliminating potential problems of PIN security, account verification, and re-entry of the transaction at a later time when the customer is not present. If the switch continues to operate, adequate store and forward procedures should be considered.

The process of balancing and settlement should be thoroughly documented. Each participant in the switch should

receive adequate transaction journals, by terminal location for their institution. Exceptions and rejections should be specifically documented if the final settlement is affected.

Agreements between or among participants, financial institutions, EFT servicers, or others must contain proper control points. These control points will vary from case to case, but in any event, the financial institution must be adequately protected against gross negligence. Items concerning normal and contingency processing must be detailed and responsibility for correction must be stated.

10.4

#### INSURANCE

Financial institution blanket bond companies normally exclude certain types of EFT from the standard coverage. Such exclusions generally include any use of plastic cards i.e., debit, access, convenience or identification cards. The use of ATMs may also require the attachment of a restrictive rider which may exclude any loss due to use of access cards. In any event, each ATM location must be scheduled with specific amounts of coverage. On the other side, many retailer commercial fidelity bonds have similar exclusions for EFT which will, in effect, leave the store clerk unbonded. If in fact store personnel are unbonded, alternative means must be considered to ensure the repayment of misappropriated funds. One alternative would be the regular review of the financial statements of merchants which would show if any capacity existed for such repayment.

Recently separate coverage for ATMs and POSs has become available and should be suggested to management particularly if potential exposure exists with PIN compromise or other weaknesses. Specialized EFT insurance coverage can be extended to include imposter terminals and losses by errors and omissions in regard to telephone transfers, automatic transfers, or bill paying. If the financial institution decides that it is to be self-insuring, then the board should be fully informed of this decision, especially if undue exposure exists from, for example, store personnel being able to effect transactions without the customer being there.

A rider commonly known as the Electronic Funds Transfer System Rider is now normally included in blanket bonds of financial institutions involved in Automated Clearing House (ACH). This rider, at an additional cost, will provide coverage for transactions to customer accounts originated at "another banking institution or automated clearing house" which were fraudulently transmitted. It is noted that this rider does not cover inter-bank transfers or customer activated EFT transactions.

An evaluation of the overall coverages must be made to determine what exactly is covered and what additional insurance may be required to give reasonable protection. Further details regarding insurance coverage are provided in subsection 7.8.

#### 10.5 FUNDS TRANSFERS

Economic and financial factors have led to a growing recognition on the part of financial institutions and their customers for the need to manage cash resources more efficiently. These factors coupled with the merging of data communications and computer technology have created an increased demand for funds transfer services from the financial industry.

In response to this demand a number of networks have been established. The four major wholesale wire networks are:

- o Federal Reserve Communication System (FEDWIRE)
- o Bank Wire II
- o Clearing House Interbank Payment System (CHIPS)
- o Society for Worldwide Interbank Financial Telecommunications (SWIFT).

These funds transfer networks are not compatible at present. Each has its own terminology and languages which overlap to some degree. The American Bankers Association (ABA) and the American National Standards Institute (ANSI) formed a task force to address this problem. The ABA has published a document titled Developing A More Efficient Funds Transfer Service: Phase I-A Common Language which provides common terminology and uniform definitions for funds transfer terms and data elements.

An important point to note when reviewing funds transfer systems is the time frame in which the funds are cleared for payment. Except for FEDWIRE and CHIPS funds all other systems work with funds that are available the next day or later (if so stated in the message). Such settlement delays can cause financial institutions numerous risks.

#### Federal Reserve Communication System

##### FRCS-70

The Federal Reserve Communication System (FRCS) commonly referred to as the FEDWIRE was established by the Federal Reserve System in 1918 and was fully automated in 1973. The system currently used is the FRCS-70. It is made up of three separate communication networks:

- o FEDWIRE Network
- o Local District Network
- o Bulk Data Network

The FEDWIRE network, installed between 1969 and 1974, links the twelve Federal Reserve Banks through a store and forward message switch located in Culpeper, Virginia (see figure 10.1). To accomodate large volumes of transactions the Federal Reserve Banks of New York and Chicago are also linked through a direct communication line (see figure 10.2). The Federal Reserve Banks use the FEDWIRE to transfer funds and securities and to transmit administrative messages. All messages sent on this network are generally short in length.

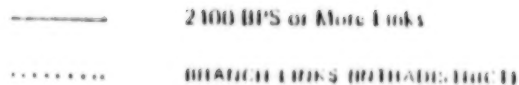
The Local District network links approximately 500 financial institutions and 25 Federal Reserve Bank branches to the Federal Reserve Banks. A wide variety of local district networks can be found throughout the U.S. Most of them consist of host-to-host networks or host-to-terminal networks. Financial institutions that are not on-line use the FEDWIRE service by telephoning or wiring instructions to a Federal Reserve Bank or branch.

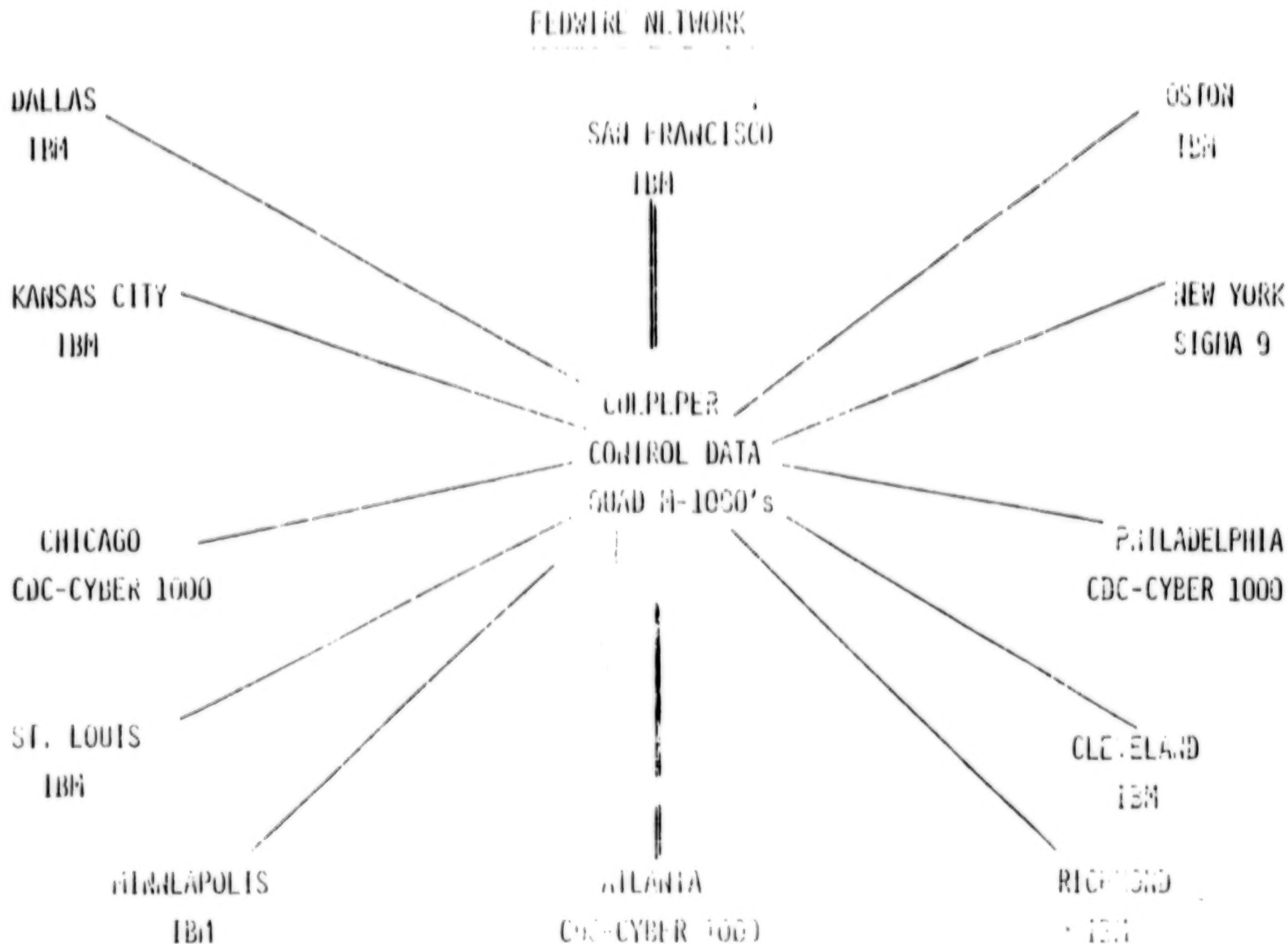
The Bulk Data network, implemented in 1976, is used by the Federal Reserve Banks to transfer large volumes of data between offices. Commonly this network is used to transmit research data as well as ACH and settlement data. Essentially this network is used to transfer large files of data.

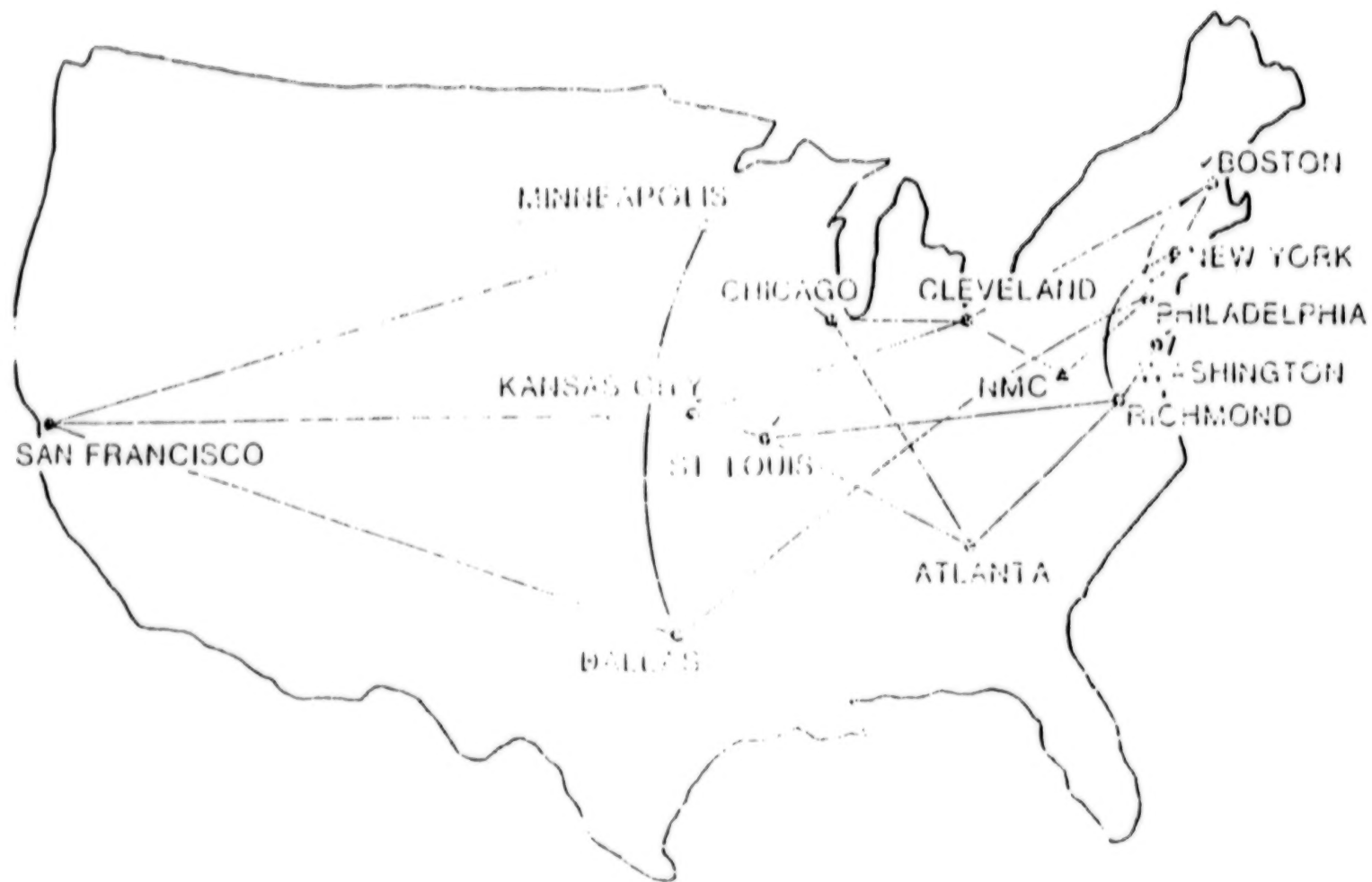
#### FRCS-80

In 1982 the Federal Reserve will upgrade the FRCS-70 system to a packet switching network known as FRCS-80 (see figure 10.3). The initial network configuration will consist of 14 packet switching devices, one at each Federal Reserve Bank, the Treasury Department in Washington, D.C. and the Network Management Control center (NMC) in Culpeper, Virginia. Each office with a switching device will be able to transmit data to one of three other offices; which in turn will be the end point of transmission or an intermediary relay station. Through dialup facilities any one office could support any other office in the event of significant outages or heavy demand. Upon installation, the Federal Reserve will no longer rely on three separate networks to meet its communication needs.

During 1979, FEDWIRE handled over 28 million transactions valued in excess of \$50 trillion. Approximately 175,000 money wire transfers are processed each day valued at







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over \$230 billion. The average transfer now exceeds \$2 million, and volume is growing at over 20% a year. The FEDWIRE provides for same day movement of funds and gives financial institutions a more efficient means of handling reserve account transfers, transfers of U.S. Government and Federal Agency securities, and administrative information. The FEDWIRE is a credit transfer system whereby a Federal Reserve Bank debits the originating financial institution's account and credits the receiving institution's account.

**Bank Wire II**

Bank Wire II was established in 1978 as a successor to the original Bank Wire system that was formed in 1952. It is a private communications network built by the Rockwell-Collins Group and managed by a wholly-owned subsidiary of a consortium of commercial banks that are members of the system. The system now has approximately 190 subscribers located in 75 cities throughout the United States and Canada. Transaction volume is approaching 20 thousand items daily valued at over \$20 billion. The primary data center is located in Jersey City with a backup site in Dallas. The backup center is essentially a mirror center providing full backup capability. In addition, uninterrupted power source (UPS) and backup generators are utilized. One proposed enhancement to the system will offer net settlement of accounts via a direct link to the FEDWIRE, providing for same-day-settlement of funds.

**Clearing House  
Interbank Payment  
System (CHIPS)**

The Clearing House Interbank Payments System (CHIPS) is the principal mechanism for making international payments in the United States. CHIPS is a funds transfer network which was developed in 1970 by the New York Clearing House Association (NYCHA) to make the New York City payment system more efficient. The CHIPS network links approximately 100 financial institutions through leased lines to a central computer that updates records and produces balance position and item by item detail reports. Similar to FRCS-70, CHIPS uses a store and forward message switch to transmit interbank payments.

Although CHIPS handles foreign and domestic transactions, the system does not deal in currencies other than U.S. dollars. Approximately 50,000 transactions valued at over \$150 billion are conducted each day on the request of U.S. and foreign financial institutions.

As of October 1981 CHIPS payments are settled on the same day that they are made. Financial institutions which are members of the NYCHA settle on their own behalf and for other participants (associate members)



by making FEDWIRE transfers to effect the final exchange of value for all daily CHIPS payments. Same-day-settlement, as required by the Clearing House Committee in July 1981, has eliminated the credit risk associated with overnight or clearing house funds. However, it does not eliminate the risk related to intraday or daylight overdrafts.

Society for Worldwide  
Interbank Financial  
Telecommunications  
(SWIFT)

SWIFT is a message switching system with three switching centers located in Brussels, Amsterdam and Culpeper, Virginia (about one mile from the FRCS-70 FEDWIRE switch). SWIFT was established in 1973 and began operations in 1977.

Unlike the other electronic transfer networks (FEDWIRE, Bank Wire II and CHIPS) funds do not move over the SWIFT system. Rather, instructions to transfer the funds are transmitted over the wire and the actual funds are credited and debited using correspondent accounts maintained by financial institutions of one country with those of another country. Thus, SWIFT does not have a settlement mechanism and does not plan to establish one in the near future.

As stated above, the system is now composed of three primary data centers. These centers are interconnected and backed-up by duplicate computer systems with automatic switching capabilities. The primary centers are connected to regional centers, located in different countries, via international communication lines (see figure 10.4). Data is encrypted on these lines to provide security.

Approximately 750 member institutions are connected to the regional centers via national communication lines, which are either public or private. Each of the 26 member countries has at least one regional center that acts as data concentrator for data flowing to and from the primary centers. The system is in operation 24 hours per day, 7 days per week. All members are required to be connected at least 7 hours per day during normal business hours in their locality to ensure that transactions reach their expected destination within a reasonable time period. Transaction volume now exceeds 150 thousand items per day.

Authentication of messages is based on an algorithm provided by SWIFT and "keys" used by sending and receiving institutions. These features are used to compute both the value and position of each character in the message text deriving a unique coded "authenticator" or "test key" for each. After the message is transmitted, the

Security and  
Control of  
Funds Transfers

receiving institution uses the same method to decode the message and derive the "authenticator." If both "authenticators" do not agree, the receiving institution must contact the sender for resolution of the discrepancy. Other security features include log on/off controls, message sequence controls, and a highly structured format for text messages.

Funds are electronically exchanged everyday among financial institutions, private companies and government agencies. The exchange of these messages entails certain risks. The major risks associated with funds transfer messages are errors and omissions in preparation, errors introduced during transmission of the message where data is lost or modified, and fraud.

Customers issue funds transfer instructions to financial institutions in a number of ways. This can be accomplished through a computer-to-computer link, telegraph, telephone, and in rare instances by mail. The content of the messages transmitted via electronic networks usually include the senders identity, name and address of the receiver, and instructions concerning the transfer. Federal Reserve System Regulation J provides that once a funds transfer request is accepted by the receiving bank ownership of the funds is automatically transferred. Therefore, errors and omissions made in this process can result in losses by all parties to the transaction. Such losses include the cost of availability of funds, interest charges, and the cost of recovering missent funds and correcting problems. The risk from fraud is more obvious and more difficult to detect. A perpetrator can alter the amount and account number in which the funds will be deposited and withdraw the funds the same day. By the time the customer is notified, the funds are gone and almost impossible to trace. Data encryption is probably the best technique available at present to prevent passive and active wiretapping and ensure the integrity of data during transmission. Although, the National Bureau of Standards has developed a Data Encryption Standard (DES) which has been adopted by some organizations, widespread usage of data encryption techniques has not yet taken place in the financial industry.

Various methods have evolved to test the accuracy of funds transfer messages. In 1951, the ABA developed a standard testing method using discrete codes exchanged between participants to validate the identity of the sending bank. These numbers are usually called "secret bank numbers" and they represent the signature of the sending bank. However, it should be noted that the ABA

standard code is available in most public libraries thereby compromising its effectiveness as a security measure.

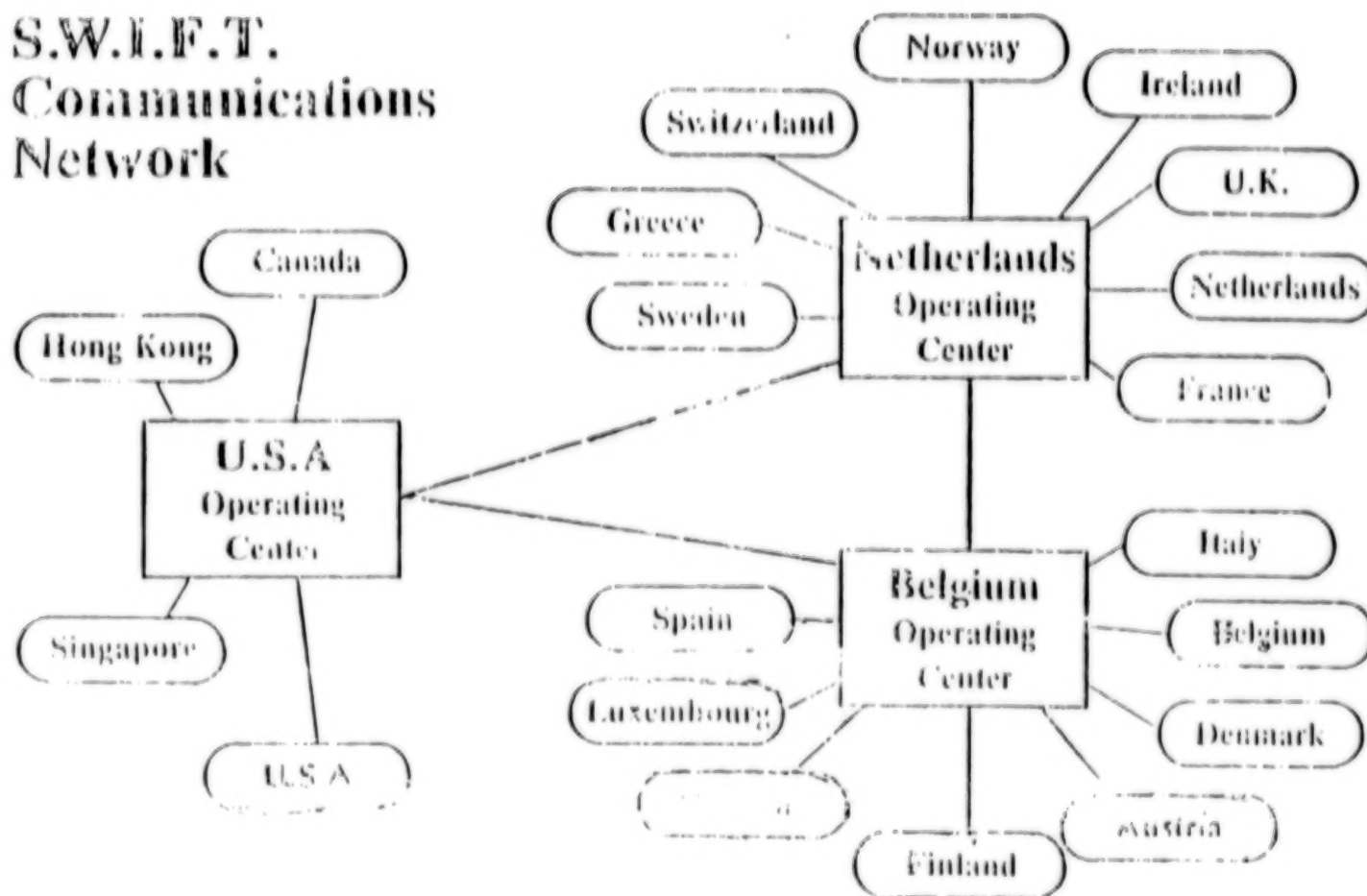
The ABA's testing standard also includes a method to test the accuracy of key data items within the message. The key items are the date, month, non-zero numbers in the amount to be transferred, and in some case the sequence number. A number of institutions have enhanced the ABA testing format over the years and their particular methods may vary somewhat. Financial institutions participating in the system must exchange "secret bank numbers" and coding books to allow for the coding/decoding of key data items. Access to these coding books must be strictly controlled. An example of the testing method is as follows:

<u>Key Data Item</u>	<u>Code From Book</u>
Secret Bank Code	2,111
Month = July	38
Day = 11	56
Amount = 2,000,000	5
Sequency Number = 151	<u>27</u>
Test Key =	2,237

The sum of the codes is the "test key", which also appears as part of the message. The receiving bank recalculates the code using the code book provided by the sending institution and matches the sum to the "test key" on the incoming message. If the two match, there is some assurance concerning the validity of the message but no guarantee that the data items were not altered during transmission.

Currently, an ABA committee of bankers working with hardware vendors has developed an EFT authentication standard known as the Financial Institution Message Authenticated Standard (FIMAS). This standard, expected to be approved by ANSI in 1982, will provide financial institutions with a uniform communication method designed to protect the transfer of funds, securities and messages. FIMAS allows a message to be sent in a readable form but it prevents the message from being altered, deleted or duplicated.

# S.W.I.F.T. Communications Network



Requests for funds transfers are usually received by telephone from correspondents, directly from customers, branch offices, and other institutions. Other transfers are initiated by incoming wires and TWX/Telex, or on a pre-authorized recurring basis based on written instructions received from the customer. Few requests are received by mail because of the delay inherent in this method.

External telephone requests are usually validated by voice recognition if the transfer is pre-authorized and recurring. If not pre-authorized, additional validation techniques such as call-back and password/test codes should be utilized. The inherent fault with passwords and codes is that they may not be maintained in a secure manner nor periodically changed, rendering them ineffective as security measures. A call-back procedure is simply receiving instructions to transfer and returning the call to the customer to ensure the transfer is authorized and accurate. The call-back procedure should be combined with separation of duties for both the customer and the sending institution. This requires two people on each side of the transfer. Call-backs are often based on the dollar amount of the transfer, and are both time consuming and expensive; however, a careful evaluation of the potential exposure usually indicates when these additional controls are warranted.

Internal telephone requests are usually initiated by the account officer at the customer's request. When transfers are made in this manner the process should be thoroughly documented to prevent the arrangement from becoming too informal. Call-backs should be used to verify the funds are being moved for legitimate transactions. In states where the practice is allowed, some institutions are now using tape monitors to record all telephone transfer requests and call-backs. This measure provides documentation and aids the institution in ensuring the accuracy of transfer messages.

Written instructions may be received by mail, telephone facsimile, internal memorandum and walk-up window using an order form. The primary control for this method of transfer is signature verification with test codes and dollar limits sometimes used. However, these controls may be waived because of pressure during peak volume periods thus creating potential exposure.

Once a transfer is initiated, institution personnel should verify the availability of adequate DDA balances before executing the transfer, and place a hold on the account to ensure that multiple transfers are not made

against the same balance. Some institutions have fully automated this process. If adequate funds are not available, a credit decision must be made. This matter should be addressed in the institution's written credit policy and operating policies for the funds transfer department. Although this procedure is often waived when dealing with "blue chip" companies, multiple transfers against the same balance by a dishonest customer could result in significant losses to the institution. Procedures should also be established to verify account numbers.

Since physical security is the first line of defense, access to the funds transfer department should be restricted to authorized personnel. Within the department access to code books, terminals and terminal training manuals and other security documents should be restricted. Passwords for terminal operators should be changed frequently on an irregular basis. In addition, institution personnel policies should address the particular requirements of the department and ensure adequate screening procedures are in effect. Due to the obvious risk inherent in funds transfer services, it is imperative that institution management perform a thorough risk analysis of the department and establish appropriate policies and procedures.

10.6

PERSONAL  
IDENTIFICATION  
NUMBER (PIN)

Most customer-activated EFT systems require some identification of the customer before any transactions are effected. In most cases, a PIN is that identification. This identification may be in numeric variable length form, normally not exceeding six digits, or in alpha or alphanumeric variable length form up to six places. The alpha or alphanumeric code is commonly known as the Personal Identification Code (PIC) and is stored with numeric equivalent similar to a telephone dial where letters also have numeric offsets. Throughout this discussion the more widely accepted term, PIN, will be used to denote alpha, numeric, or alphanumeric codes of identification.

PINS can be issued in the following ways:

o Pre selected

By a random means and assigned to a given account number.

--By a cryptographic technique using the account number.



The negative aspects of a pre-selected PIN include customer forgetfulness, the need for a different PIN for each EFT vehicle, the storage of pre-selected PINs on hardcopy or computer readable media and the urge to write the PIN on the card. A positive aspect is that a thief would be hard pressed to rationally determine the PIN since random numbers would allow for vast combinations of possibilities.

o Customer-selected

--And entered into the computer by financial institution personnel.

--And entered into the computer by the customer.

--Through an irreversible encryption process using the PIN and the account number. The new accounts person would have two input devices connected to an encryption device. The customer would key into one device the selected PIN and the new accounts person would key into the other device the account number. The encryption device would use these two inputs to create an encrypted off-set which will be entered into the system as the customer's PIN.

The positive aspects of a customer-selected PIN are the ease of remembering it and the ability of using a common PIN for several different account numbers. The drawbacks include additional control methods for the PIN selection to ensure that only the customer has access to it. The use of street addresses, phone numbers, family names, birthdates, "four-letter words", social security numbers, and common sequences of numbers such as 1111, 1234, and 9999, are limited as compared to random numbers. A thief acquiring the card with a wallet or pocketbook would have ample information from which to pick a PIN, particularly if unlimited PIN entries were allowed.

About the only risk in the irreversible PIN selection technique previously described above would be that an individual acquiring the algorithm would have access to PINs for all customers. But this risk would also be true of an individual acquiring the key to a reversible encryption technique.

. Assigned as a combination of the above.

For example, an account may come with a pre-assigned PIN but the customer may immediately change it to a PIN more easily remembered.

No matter what PIN selection method is used, a decision must be made about what to do if the customer forgets or loses the PIN. The ability for PIN look-up should be controlled. It is safe to state that the more secure systems do not allow any type of PIN look-up or PIN verification. In some instances, however, marketing concerns have required that the customer be served fully and that includes reissuing the same PIN. A customer at an EFT location may call the financial institution and state that their PIN does not work. Some institutions have allowed for PIN look-up to verify that the customer is in fact using the correct PIN and that the system is working properly. An alternative procedure would be for the financial institution to have available test accounts and test PINs. If a customer called questioning the system, the institution would be able to verify the status of the system without compromising the customer's PIN. If a PIN look-up is allowed, it should be severely restricted to pre-designated individuals and appropriate authorization should document such action. Some systems require the entry of the existing PIN in order to make changes so the exposure is limited to only those individuals who have access to present PINs which may be maintained on lists. Any such list should only contain the PIN and a sequence number which can be cross referenced to a list of account numbers. Some systems require that the account be closed, a new account be opened, a new EFT vehicle be issued and a new PIN be assigned.

Financial institutions should have procedures to identify a customer when the EFT network is not operational. The options generally available are to temporarily suspend the EFT transactions or to continue as if on-line with either the same or reduced floor limits. From a control standpoint the best alternative is to temporarily suspend operations unless adequate alternatives have been considered. PIN security and account balance verification will need to be addressed if the location continues to operate. The financial institution will have to decide how to operate without normal PIN verification. One alternative is to have the PIN encrypted and encoded on the magnetic stripe on the card. Terminals with front-end devices would be able to compare the customer input of the PIN to the encrypted format on the magnetic strip for identification.

If off-line entries are accepted, a corresponding item of concern is how the off-line transactions are to re-entered into the system without the customer being present to supply the plastic card and PIN. Some systems may allow for automatic re-entry since the information



has been captured on cassette while in an off-line mode. When the system comes back on-line, the clerk would prompt the machine to re-enter the off-line transactions. Other systems have allowed for the store clerk to override the normal requirement that the plastic and PIN be used and that clerk can input the transactions as if the customer were there. This override feature carries implicit exposures. The probability exists that the clerk is unbonded by either the financial institution or store bonds and management should be made aware of this situation. At a minimum, there should be a separate report of all such transactions and an audit trail to identify the store clerk who made such re-entries. Exception reports should be regularly reviewed to determine trend development. Customer confirmation of certain items may also be considered. The protection of the customer's PIN is vital to any EFT system.

A further protection of the customer's PIN is to allow the customer only a limited pre-set number of attempts to enter their PIN. Some sources recommend three as an acceptable number, but the important factor is the limitation. Such a limit should be software controlled with a corresponding lock-out of the account in the terminals if the limit is exceeded.

The following operational guidelines have been recommended by the American Bankers Association and others:

o Storage Guidelines

--Pins should not be stored on plastic cards.

--Unissued PINs should never be stored anywhere. They should be calculated when issued and any temporary or transient computer storage areas used in the calculation must be cleared immediately after use.

--Random PINs and customer-selected PINs should be encrypted on all files and data bases.

o Delivery Guidelines

--PINs should not appear in printed form where they can be associated with an account number.

--The document designed to be sent to the cardholder containing the PIN and the cardholder's name (but not the cardholder's number) should be processed and delivered under conditions at least as secure as those used in processing and delivering bank cards to the cardholder.

--When customer-selected PINs and the PIN selection are communicated to the issuer through a paper document, the document should not contain the cardholder's account number.

--The PIN should never be capable of being retrieved or displayed on a terminal anywhere.

--If terminals are used in an issuer's system to enter or change a customer-selected PIN, the transaction should require the use of a currently assigned or previously selected PIN. If the current PIN is unknown, only a limited number of issuer personnel should be allowed to authorize a new PIN to be entered or changed and such an employee's identity shall be part of the record of the transaction.

--All file maintenance to PINs stored in data bases should be only allowed under a password security system and passwords should be changed frequently. Further, operating system logs should be scanned by computer programs to disclose any attempts to subvert the PIN security system.

o Usage Guidelines

--The PIN should be entered only by the cardholder and only in an environment that deters casual observation of the entry.

--The PIN should never be transmitted in unencrypted form.

--PIN systems should record the number of unsuccessful PIN entries and should restrict access to a customer's account after a relatively small number (not to exceed six) of unsuccessful entries.

o Control and Security Guidelines

--Systems should be designed, tested, and controlled so as to preclude retrieval of stored PINs in any form.

--Programs, program modules, program subroutines, and other software containing formulas, algorithms, or data used to generate, calculate, or encrypt the PIN must be subject to the highest category of security. Printed or microfilm listings of such programs must be controlled and stored with limited and controlled access.

--Any data recording medium (e.g., magnetic tape) used in the process of assigning, distributing, calculating, or encrypting PINs must be cleared immediately after use.

--Employees with access to PIN information must be subject to security clearance and must be covered by an adequate surety bond.

o System Design Recommendations

Although the following are not appropriate as standards, it is recommended that they be considered when designing systems for PIN use.

--PIN systems should be designed so that PINs can be changed without reissuance of cards.

--Interchange PIN systems must be designed so that PINs can be changed without physical modification of other issuer's terminals or terminal components.

--Banks electing to use encryption as a security technique for bank card systems are strongly encouraged to consider the National Bureau of Standards Data Encryption Standard (NBS/DES) algorithm to accomplish the encryption and decryption of messages or of individual data elements, e.g., the PIN, within messages.

10.7

PLASTIC CARDS

For most retail EFT transactions, the plastic card is the major vehicle for the initiation of funds transfers. Card procurement, storage, embossing, encoding, mailing or distribution, and disposition of unissued, spoiled and returned cards are all items which financial institutions must address. The investigation of fraudulent card usage and of lost or stolen cards must also be provided for as well as the adequate staffing of all positions involved in card production so that adequate separation of duties is possible. The overall physical security of the site should be considered together with special emphasis toward storage, embossing, and encoding.

Procurement

The first step is the procurement of plastic cards and is normally done through a card manufacturer. A written agreement between the card manufacturer and the financial institution must detail control procedures to be followed and methods of resolution if problems occur with either the cards or with manufacturer personnel. Financial institutions should acquire the latest third party audit report of the manufacturer to ensure a generally controlled atmosphere does exist. If a third party review is

not available, financial institutions may wish to make visits to the manufacturer either alone or in conjunction with other users. An investigation should also be conducted concerning the security devices used by the manufacturer in encoding the magnetic information on the card. Card counterfeiters can copy insecure encoding by means known as skimming and buffer recording. Other types of encoding techniques using secure card properties, for example, would be less susceptible to being easily duplicated since heat and pressure sensitive features would negate any efforts to duplicate the card.

Embossing/  
Encoding

Once the decision has been made to purchase cards, management must decide if either the embossing or encoding or both will be done off premise. If it is to be done by an outside vendor, similar precautions as detailed for card manufacturers should be considered, including a written agreement and a review of control procedures in effect. The cards produced will be a finished or near finished product and losses from theft or dishonesty can be most critical.

If the embossing or encoding or both is to be performed on premise, the equipment should be maintained in an extremely secure area which is lockable. No card inventories should be maintained in the immediate vicinity unless properly secured and accounted for by personnel not involved in the embossing or encoding process. It is very important that all cards passing through this area be accounted for, including spoiled cards. Separation and rotation of duties should be practiced as much as practical and occasional supervisory reviews should be done on a spot check basis.

• Storage

Card storage procedures for blank cards and for cards in process should be documented in writing. Dual control should be practiced in most instances and only a limited working supply of blank cards and cards in process of being embossed/encoded should be allowed out of the dual control atmosphere. Adequate interim storage and accounting must exist for all cards not under dual control.

Mailing  
Disposition

The mailing area where cards are stuffed into envelopes is another sensitive area. The use of batch controls is one method to ensure that all the cards initially disbursed from the storage area end up either in the mail area or are properly disposed of. The return of any cards through the mail should be separately handled and should not be under the control of mail room personnel. Another method is to use a control sequence number on

each card and to generate and maintain a secure cross reference of account number to sequence number, in automated form. Further, if cards are to be mailed, it is recommended that control cards be randomly inserted and their delivery validated within a few days to ascertain that no theft within the post offices has taken place.

The production and use of demonstration or test cards must also be controlled. These cards should be assigned on a limited basis to specific individuals and regularly accounted for. In some instances, they may bypass normal controls such as dollar amount of withdrawals or total number of transactions or PIN attempts. A compensating control, if some bypass is needed, would be for the limits to be raised to an acceptable working level rather than abolished altogether.

#### 10.8 AUTOMATED CLEARING HOUSE (ACH)

The ACH network is an electronic clearing and settlement system that offers credit and debit transfer services to financial institutions across the nation.

The ACH concept originated in 1968 with the establishment of the "Special Committee on Paperless Entries" (SCOPE) by the Los Angeles and San Francisco clearing house associations. Later, the ABA established the committee on "Monetary and Payments Systems" (MAPS) to determine the feasibility of using the ACH concept to reduce the volume of paper checks in the clearing process. In 1974 the National Automated Clearing House Association (NACHA) was formed to promote ACHs and establish operating standards and procedures. There are now 38 ACHs in operation. The Federal Reserve System owns and operates 37 ACH facilities. Financial institutions in New York operate their own (NYACH) but use Federal Reserve facilities to deliver and settle their transactions.

ACH credit transfers or electronic deposits can be initiated by corporations, government agencies and consumers. A payer instructs his or her financial institution to credit the account of a payee at his or her financial institution on a specific date. These instructions go to automated clearing houses for delivery of funds to the receiving institution. Examples of such transactions include payroll, social security and dividend payments.

ACH debit transfers or electronic checks can be initiated by consumers, financial institutions and corporations. Payers and payees make prior arrangements to debit the payee's account and credit the payer's account at their

respective financial institutions, usually on a periodic basis. Examples of debit transfers include repetitive loan or insurance payments.

**Truncation** In conjunction with this type of funds transfer service is a relatively new service known as check truncation or safekeeping. This is the practice of not returning checks to the depository institution on which they were drawn. Instead, information on the checks is electronically captured and transmitted to the drawee institution for processing. The depository institution of first deposit is the usual point of truncation.

At present, ACH membership is comprised of approximately 13,000 financial institutions and 9,000 private corporations initiating over 15 million items per month. Use of the ACH network diminishes float while the velocity with which checks clear increases. This requires institutions to provide more timely information to customers and themselves in order to manage funds. The information about a transaction has to match the speed of the transaction in order to be an effective EFT system.

The Treasury Department and the Federal Reserve System establish rules for all federal payments. A Uniform operating circular describing rules and procedures concerning ACH transaction processing can be obtained from the Federal Reserve Banks.

#### 10.9 AUTOMATED TELLER MACHINE (ATM)

ATMs are electromechanical machines that are used directly by financial institution customers to deposit, withdraw and transfer funds, as well as to make payments and account balance inquiries. These machines are unattended by financial institution personnel, are usually operable 24 hours a day and can be situated in a myriad of locations.

Most ATMs are activated by inserting a plastic card and entering a corresponding PIN. Regardless of the type of transaction effected a customer receipt and a record of the transaction should be generated. Both the customer record and the financial institution transaction journal should indicate the date, time and location of each transaction made. Each ATM transaction should also be assigned a sequence number so that an adequate audit trail is formed.

Depending on the overall computer system and the type of machine purchased, ATMs can operate in either on-line or off-line modes. On-line ATMs are directly connected to the financial institution's central computer by dedicated (leased) lines. On-line equipment offers the



financial institution increased security and enables customers to instantly update and verify account information. "Hot Card" lists can be instantly updated and the ATM activity can be proved and settled from a central location.

Off-line ATMs are not connected to the financial institution's central computer at the time the customer conducts a transaction. Therefore, off-line ATMs must incorporate safeguards to prevent unauthorized transactions from taking place.

Usually, plastic cards that have a magnetic stripe on them are used to effect a transaction in an off-line ATM. When the customer conducts a transaction, information is normally written onto the magnetic stripe as a safeguard to prevent the card from being used more frequently than authorized. Off-line machines must also contain internal memory to store "Hot Card" lists or other account numbers for which no transactions are to be processed. Such internal memory should be large enough to store all bad card numbers for a given renewal period and should be updated daily. Compared to on-line ATMs, off-line ATMs have significant drawbacks including the financial institution's inability to compare withdrawal amounts to account balances.

Items to consider in ATM security should include counterfeit cards, communication line compromising, financial institution and vendor personnel, physical penetration of the ATM, and PIN guessing. Management should be aware of these potential risks and should have compensating controls such as the use of secure plastic cards, the encryption of messages, dual control over machine access, secure ATM sites, and non-return of cards if more than a pre-set limited number of attempts are needed to input the PIN.

10.10

POINT-OF-SALE  
(POS)

Point-of-Sale systems are used to conduct financial transactions in retail merchant facilities. Currently, POS services can be categorized as follows:

- o Check Verification/Guarantee--A POS terminal is used to directly communicate with a host computer and data base. From information accessed in the data base the computer sends an approval or unapproval message and authorization number to the POS terminal. Merchants use this service to reduce potential check cashing risks and increase their operating efficiency.
- o Data Capture--A POS terminal is used to record product data and sales. The data captured usually includes inventory, pricing and discount information

as well as the financial transaction itself. Most often the merchant uses an in-house computer which may be linked to a financial institution computer or switch.

- o Funds Transfer--A POS terminal is used to transfer funds from the customer's account to the merchant's account to pay for items purchased.

Whatever service is used, POS systems generally involve retail merchant facilities, store personnel, and an electronic terminal to effect the transactions.

Similar to ATMs, most POS systems require the use of a PIN and/or a plastic card. Confidential entry of the customer's PIN should be required particularly when the POS system interacts with financial institution customer account information. A common security procedure is to require the customer to enter their PIN to the POS system through a pin-pad attached to the terminal.

Written agreements should be on file which adequately set forth responsibilities of all parties involved in the POS system. Policies and procedures that cover functions such as credit and check authorization, floor limits and override procedures should also be in writing.

The settlement and balancing aspects must also be addressed. Balancing generally refers to the process by which store clerks and institution personnel balance debits and credits and ensure that all transactions have been accounted for. Settlement generally refers to the process by which the stores and the institutions transfer, between themselves, the net debits or net credits of a given day's work. For example, if a store took in deposits of \$500 and gave out \$400 in withdrawals, then a net difference of \$100 would be due the institution and a transfer would take place. Daily settlement and balancing should be supported by written procedures and documentation. Since traditionally more funds have flowed into financial institutions via POS than have flowed out, financial institutions should take precautions to ensure that each merchant does in fact transfer daily the required funds to the financial institution and does not hold any funds back. In order to be able to monitor balancing and settlement, it is essential that proper transaction journals are produced for each location and system-wide exception reports are produced and reviewed daily.

Point-of-Sale services can be most effective if operated on-line. Account balance verification will assure that



funds are available for use. If a one location system operates in an off-line mode lower withdrawal limits may reduce exposure, but in a multilocation system, each unit would be subject to a certain amount of exposure. Also, POS terminals are not covered by the Bank Protection Act of 1968 therefore, financial institution management should consider installing adequate security devices if terminals are installed in high risk areas.

10.11   NATIONWIDE DEBIT  
          CARDS

Some financial institutions are using commonly accepted cards such as VISA as debit cards to draw against customer balances in related accounts or lines of credit. Such cards are even more susceptible to fraud than normal EFT vehicles since they are widely accepted at many retail stores and only require authorization above certain floor limits. Financial institutions should take extra care in the distribution of these cards and should thoroughly investigate the loss potential and means to control such losses. "Hot Card" lists are available but financial institutions may be subject to losses under floor limits until the lists are updated which may take a week or two. Cards are normally issued by the central card service center and usually have expiration dates.

Authorization levels are normally changed through a video display terminal (CRT) at the financial institution which is connected to a central card service center. This is also how management issues new cards, changes billing addresses and blocks accounts which are to be cancelled due to improper use. Adequate controls should surround physical access to the terminal and only authorized personnel should be allowed to make changes. Proper transaction and exception reports must be produced and should be reviewed by someone who does not have access to the terminal.

There should be a review of the agreements between the financial institution and the debit card servicer to ensure that proper items are documented relating to card issuance, card retrieval, "Hot Card" lists, settlement, and the handling of cash advances among other items.

10.12   TELEPHONE BILL  
          PAYING/TELEPHONE  
          TRANSFERS

The concept of paying bills by telephone or telephonically transferring funds between accounts is becoming more common. Some systems require the customer to verbally communicate with a financial institution employee while others require the customer to use a touchtone telephone to enter data and instructions directly into the institution's computer. Regardless of the system employed, financial institutions must only allow customers to pay bills or transfer funds with his or her own money. In

addition all transactions must be pre-authorized and the specific customer accounts to be used must be clearly stated.

#### Telephone Bill Paying

The telephone bill paying system is used by customers to transfer funds from their account to a merchant's account as well as to inquiry their account balance. To complete a bill paying transaction the customer account numbers, transaction amount, merchant code and PIN are necessary.

The type of accounts used in such transfers should be statement type accounts as compared to passbook accounts. If the statement account is normally on a monthly cycle, the institution will be assured that a continuous confirmation of balances is being performed since the customer will detect unauthorized transfers. A passbook account, on the other hand, is only updated when actually presented to the institutions and only then will unauthorized transfers be detected. With an inactive account the timeframe could be very long.

Proper identification of the customer is important but the use of a PIN, particularly if it is the same PIN used in other EFT systems, may cause more exposure. If, for example, the transfer clerk were able to record PINs and account numbers, the effectiveness of security in other EFT areas would be reduced since the customer's identification procedure would have been compromised.

As with any telephone transfer, all transactions should be pre-authorized including pre-authorization from participating merchants. Marketing concepts may suggest that a customer be allowed to add new merchants over the telephone, but financial institutions should require pre-authorization for their own protection. The payment to third parties, other than recognizable firms, should be discouraged without written authorization.

Telephone bill paying account transactions and file maintenance should be traceable and reports should be produced as an audit trail. If an unauthorized vendor is added with another customer's account number, someone else's bill could be paid with the customer's money. For this reason, there should also be an adequate review of all reports.

#### Telephone Transfers

The telephone transfer system is primarily used by customers to transfer funds from one financial institution account to another. Similar to the telephone bill paying system, customer account numbers, transfer amount and PIN are required. The PIN should be unique to this EFT

system and all transfer transactions must be pre-authorized by the customer. Transaction and exception reports should be produced and reviewed regularly and only statement type accounts should be used.

As technology advances and as touchtone telephones become more widespread, or as touchtone inserts become readily available, the need for institution personnel to interact with the customer may diminish. Customers will be able to identify themselves, input the code of the recipient of the funds, and state the amount all by pushing telephone buttons. It is important to consider the identification method and the use of dialup communication lines in telephone bill paying and telephone transfer systems. If a PIN is used which is the same as another EFT system PIN, then the interception of dialup communication would allow the compromise of the PIN.

10.13

#### HOME BANKING

Home banking projects are being experimented throughout the United States and other parts of the world. It is anticipated that home information systems will replace the telephone bill paying service and become a major vehicle for financial services.

Currently home banking systems predominantly use telephone systems and cable TV to deliver services. Home televisions are used as video display terminals. Direct satellite communication may be used in the future, however, it will primarily be used for high-volume, long distance transmission of data to existing cable systems.

Financial institutions use home banking systems to provide retail banking services such as bill payment, account transfer, balance inquiry, money management and tax assistance to customers. Usually a PIN is used to access the system. In addition to financial services other functions offered through home banking systems include:

- o Home shopping--consumers are able to purchase merchandise from a video catalog.
- o Airline reservations--consumers can access flight schedule information, select seating and make airfare payments.
- o Home information services--customers can access local and regional services such as electronic newspapers, classified ads, sports, restaurant listings, electronic mail and video games.

- o Security and environmental services--intelligent home terminals can be programmed to monitor different activities in the home for fire, burglary and medical alert systems.

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GLOSSARY: EFTS SUPPLEMENT

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ACH	(Automated Clearing House.) An automated central clearing facility that electronically processes interbank payment of funds and handles the electronic transfer of government securities.
algorithm	A specific set of well-defined rules to solve a problem in a finite number of steps. Example: The letter A becomes C, the letter B becomes D, etc., the mechanics of shifting the alphabet composes the algorithm and the amount of shift (in this case the letters) constitutes the key.
ANSI	(American National Standards Institute.) A non-profit organization engaged in the development of national standards.
ATM	(Automated Teller Machine.) An electromechanical device used by financial institution customers to deposit, withdraw or transfer funds. Same as RSU and CBCT.
buffer recording	A method of transferring magnetically encoded data from one magnetic tape or magnetic striped card to another.
cash card	A magnetically encoded plastic card used to obtain cash from automated teller machines.
cash management terminal	A terminal designed especially for the handling of funds concentration. (See FUNDS CONCENTRATION.)
authorization	The process of determining whether an account balance is sufficient to cover a purchase or cashing of a check.
check truncation	A process used to reduce the number of checks that flow through the banking system. Information from each check is converted to a medium for electronic processing. The customer is sent only a descriptive statement listing all checks that cleared during the accounting period.
cipher	A cryptographic method of substituting one letter of the alphabet for another, or scrambling the order of the alphabetic (or numeric) characters in a message. See Cryptography.
CHIPS	(Clearing House for Interbank Payments System.) An international funds transfer network developed by the NYCHA to make the New York City payment system more efficient.
communications operator	One who operates the communication equipment (concentrators, multiplexors, line switching units, etc.) necessary for an EFT network. Communications Operator also reconfigures the network when there are failures or overload situations.

credit authorization	The reading of a customer's credit card by a terminal while a central computer verifies that the card is valid and the purchaser's credit balance is sufficient to cover a purchase.
credit card	A plastic card that empowers the holder to buy or borrow on trust.
credit verification	An inquiry process used by merchants to ensure that a purchaser's demand account balance is sufficient to cover a sale.
cryptography	The science of interpreting or writing in secret codes. (See CIPHER.)
Culpeper switch	The colloquial name for the Federal Reserve Communication System (FRCS-70) computer message switching system located in the Township of Culpeper, Virginia.
debit card	A plastic card used to either withdraw cash from an ATM or make a purchase via POS.
DES	(Data Encryption Standard.) The federal standard for the algorithm used in encrypting messages.
embossing	The physical process of punching or typing information on a plastic card such as card holder, expiration date, and card number.
encoding	The process by which pertinent information is magnetically placed normally on the back of a plastic card or on the bottom of a check.
exhaustive search	The trial and error method of comparing all possible key combinations in order to break the security offered by an algorithm.
FED WIRE	(Federal Reserve Wire Transfer Network.) A communications network operated by the Federal Reserve System that electronically transfers funds and communicates securities transfers, economic statistics, and general administrative information. (See FRCS.)
FIMAS	(Financial Institution Message Authenticated Standard.) An EFT authentication standard developed by a committee of nine bankers to protect funds, securities, and messages that are electronically transferred.
float	A banking term for the delay time in collecting funds represented by checks deposited in one account that are drawn upon another.

floor limit      The maximum amount of credit available to a customer for a purchase without the need for credit authorization. A "zero" floor limit for an individual means that credit worthiness must be verified for all purchases.

FRCS      Federal Reserve Communications System. (See FED WIRE.)

funds concentration      An aggregate of funds (usually deposits) from local and/or regional accounts that are automatically wire-transferred to a central account. Example. each store in a national retail chain makes daily deposits, which are automatically transferred to a centralized corporate account, in one depository institution.

GIRO      A credit transfer bill payment system widely used in countries that have central banking systems (i.e., Europe). In Giro systems one financial institution acts as the agent for both parties to the transactions which simplifies the payment process and makes it more direct. Although the payee and payor do not have to have accounts with the central institution they must make payment into the system and receive payment from the system.

immediate payment zones      An area served by one of approximately forty check clearing facilities at Federal Reserve Banks, their branches, and various separate regional centers.

imposter terminal      An electronic device that is inserted into a computer-to-terminal communication line. This device is capable of accessing computer files and can be used to fraudulently input to the central computer any financial transaction command present in the system.

interchange      A concept for a national network of EFT participants that would allow customers to use EFT services outside their geographic areas. Interchange cannot be implemented until national standards have been developed for bank cards and switches. (See ANSI.)

key      The numerical or alphanumeric value(s) by which an algorithm is set. The same key that is used in an algorithm to code a message must be used to decode the message. (See ALGORITHM.)

McFadden Act      Legislation enacted in 1927 that subjects national banks to state law and specifically guarantees the right of states to control the branching of national banks within the individual state borders.

node      A centering point of component parts in a network system. Example: A node, located at a Federal Reserve Bank, connects the bank and individual financial institutions with the FRCS-80 FEDWIRE network.



NYCHA	(New York Clearing House Association.) An organization which operates CHIPS. (See CHIPS.)
packet switching	The process of breaking a message into small units, or packets, for independent transmission over the fastest communication route available and then reassembling it at its destination.
pay-by-phone	A service that allows payment of bills through direct access to a financial institution by telephone.
payment mechanism	Any device, instrument, or system that transfers money. Cash, checks, credit cards, and miscellaneous devices such as traveler's checks, are examples of existing payment mechanisms.
piggybacking	A fraudulent technique by which a user can obtain the data processing privileges of another user, or have valid access rights to a system extended in an unauthorized fashion. Using another person's password or PIN to gain entry to a system is one example of piggybacking. Performance of an unauthorized function after completion of another authorized one is another.
RCPC	(Regional Check Processing Center.) Check clearing facilities operated by the Federal Reserve System.
RSU	(Remote Service Units.) Another term for off-premise EFT units such as ATMs.
rollover digit	A digit used to check the correctness/validity of an account number or plastic card number. Similar to check digit.
secure card property	A technique employed to render a plastic (credit or debit) card counterfeit or duplication-proof.
sharing	A term describing the establishment of EFT systems as a joint enterprise by an organization of depository institutions. Sharing allows the participating depository institutions to divide the responsibilities (risks, costs, etc.) of establishing and maintaining POS and ATM systems.
skimming	A unauthorized method of duplicating the magnetically encoded data on plastic identification cards.
spoofers	An unauthorized electronic device capable of simulating computer-to-terminal communication.
store and forward	A term associated generally with message switching networks. If part of the switch between the central computer is temporarily inoperable, one computer will retain all transactions associated with the other and will transfer the items when the switching network is operational.



sub-host operation	An operation in which EFT terminals communicate directly with a controlling minicomputer rather than with the host CPU. In the event the host CPU is inoperable the controlling minicomputer can independently authorize EFT terminal transactions.
SWIFT	(Society for Worldwide Interbank Financial Telecommunications.) A cooperative company that engages in international funds transfer services.
switch	A facility that performs the rapid communications required in EFT systems. Example: a switch links all of the retail terminals in a POS system to all of the financial institutions that are members of the system.
transaction operator	One who operates an EFT transaction terminal by entering funds transfer transactions at the direction of a customer or employer.

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SOURCES OF ILLUSTRATIONS: EFTS SUPPLEMENT

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CHAPTER 10      Figures 10.1 through 10.3: Board of Governors of the  
Federal Reserve System.

                 Figures 10.4: Bank Administration Institute, Auditing  
Bank Computer Systems.

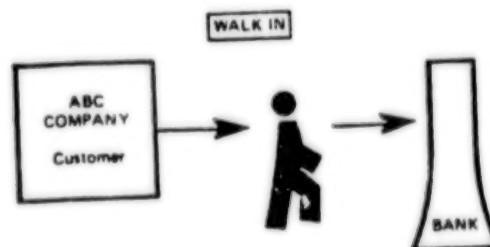
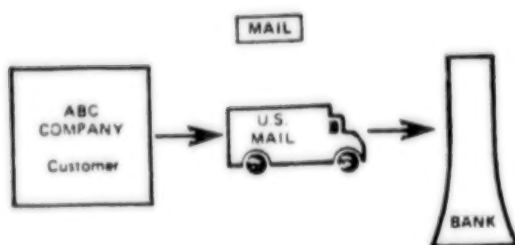
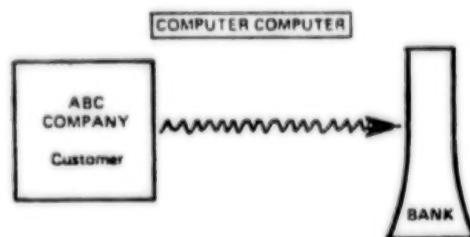
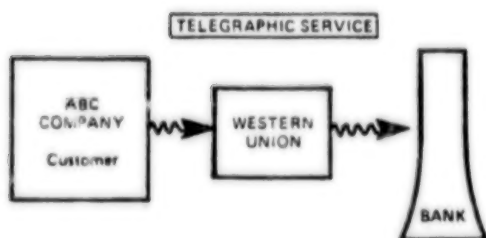
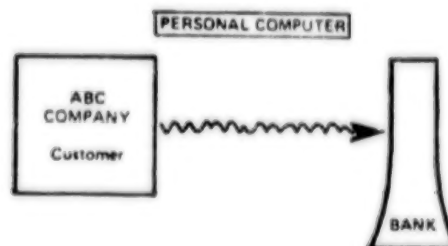
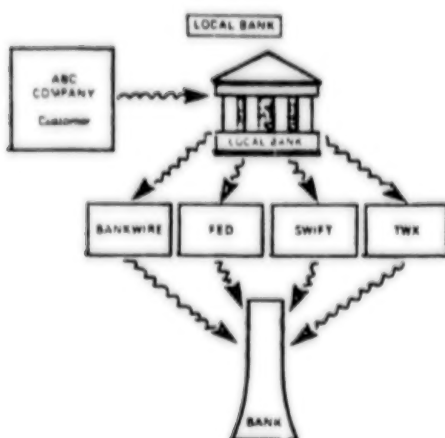
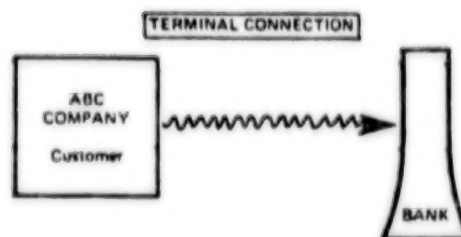
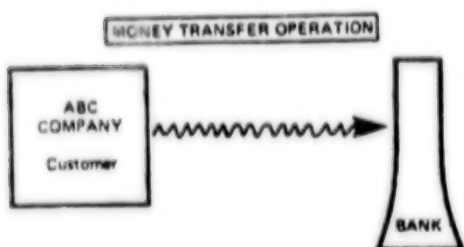
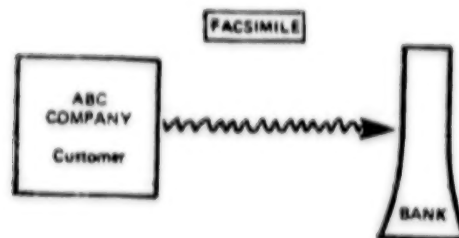
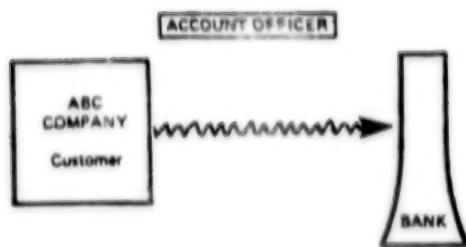
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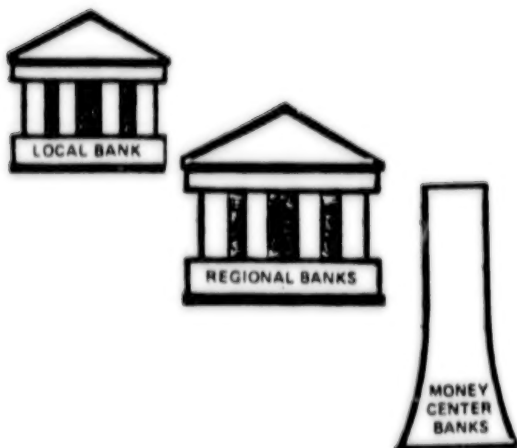
TELEPHONIC TRANSFER REQUESTS

for discussion at the

ABA/INSURANCE INDUSTRY MEETING  
JUNE 23-24, 1983  
CAPITAL HILTON HOTEL  
Washington, D.C.

Donald G. Miller  
Vice President  
The First National Bank of Chicago  
June 24, 1983





As cash management services are extended, there will be a migration away from voice initiated transfer to terminal/computer to computer linkages, provided these value added services are economically feasible. However, voice initiated transfer requests will never be eliminated and probably will never fall below the 50% level in local and regional financial institutions. Can you really avoid providing insurance coverage for this service?

Of the ten alternatives noted earlier, their ranking related to exposure to fraud is probably:

#### FRAUD EXPOSURE

- |                                    |                                  |
|------------------------------------|----------------------------------|
| - Facsimile                        | - Facsimile,                     |
| - Mail                             | - Mail,                          |
| - Walk-In                          | - Over the counter (Go to the    |
| - Account Officer (Voice)          | Bank),                           |
| - Money Transfer Operation (Voice) | - Call the account officer,      |
| - Local Bank (Voice)               | - Call money transfer operation, |
| - Telegraphic                      | - Calling local bank,            |
| - Terminal                         |                                  |
| - Personal Computer                |                                  |
| - Computer-Computer                |                                  |

Controls for voice initiated requests are simple and relatively effective. Some or all of the following controls should be considered:

#### DOCUMENTATION

- Accounts
- Initiators
- Confirmers

- Documentation - When providing this service to customers an agreement between the institution and the customer should be established which specifies those accounts to be used, those persons authorized to make voice requests and possibly those persons authorized to confirm voice requests. This is no different from the signature cards or testing agreements.

#### RECORDING

- Errors
- Backup
- Evidence

- Recording - Recording telephone requests will not prevent frauds, but recording is an effective operational control. If errors are claimed, the recording can confirm what exactly was said. With a system failure the recording can be used to reconstruct any transactions lost in the outage. And, finally voice recordings can be matched to recordings of fraud suspects.

#### CALL BACK

- Customer Protection
- Audit Trail

- Call Back - Calling a separate party at the customers site who is authorized to confirm transfer requests is more protection for the customer than for the financial institution. Call backs provide additional assurances that the request originated from the customer. Again these are recorded for a complete audit trail.

Voice requests will then include the appropriate Message Authentication Code. Systems which validate the persons identity through the characteristics of that person's voice print will be operational. In fact such systems will allow the customer to directly enter his voice request into the banks transfer system, automatic voice to computer data translation and collection.

Customer voice initiated funds transfer requests are needed, are a vital part of the services offered today and will continue to be a basic service of financial institutions in the future. Insurance coverage for this service should be available.

#### VOICE TRANSFERS

- Vital Service
- Controls
- Need Insurance Option



SECTION III

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# Regional Office Directory Federal Deposit Insurance Corporation

<u>REGIONAL OFFICES</u>	<u>FORMAL ASSISTANCE</u>	<u>DISCUSS BANK FRAUD CASES</u>	<u>31 C.F.R. 103</u>	<u>SUBPOENAS</u>
Atlanta 233 Peachtree Street, N.E. Suite 2400 Atlanta, Georgia 30043 404/221-6631	Edwin B. Burr Regional Director	Jerry Adams Asst. R/D	Billy McCormick Review Examiner	Stephen B. Woodrough Regional Counsel
Boston 60 State Street 17th Floor Boston, Massachusetts 02109 617/223-6420	Anthony S. Scalzi Regional Director	Carl Schnapp Asst. R/D	Mike Bonfanti Review Examiner	Thomas W. Lawless, Jr. Regional Counsel
Chicago 233 S. Wacker Drive Suite 6116 Chicago, Illinois 60606 312/353-2600	Paul C. Fritts Regional Director	Sherwin Koopmans Asst. R/D	Larry Kowalski Review Examiner	William M. Lloyd Regional Counsel
Columbus 1 Nationwide Plaza Suite 2600 Columbus, Ohio 43215 614/469-7301	Sandra A. Waldrop Regional Director	Neil Schmidt Asst. R/D	Dave Moulton Review Examiner	John C. Deal Regional Counsel
Dallas 350 North St. Paul St. Suite 2000 Dallas, Texas 75201 214/767-5501	Roy E. Jackson Regional Director	Stanley Clark Asst. R/D  George Masa Asst. R/D	Allen Searsy Review Examiner	K. Ann Graham Regional Counsel

III-1

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<u>REGIONAL OFFICES</u>	<u>FORMAL ASSISTANCE</u>	<u>DISCUSS BANK FRAUD CASES</u>	<u>31 C.F.R. 103</u>	<u>SUBPOENAS</u>
Kansas City 2345 Grand Avenue Suite 1500 Kansas City, Missouri 64108 816/374-2851	Joseph V. Prohaska Regional Director	Paul Wiechman Asst. R/D	Ken Keifer Review Examiner	E. Glion Curtis Regional Counsel
Madison 1 South Pinckney Street Room 813 Madison, Wisconsin 53703 608/264-5226	James E. Halvorsen Regional Director	James Kielczewski Asst. R/D	Simona Frank Review Examiner	Mary Ellyn Drury Regional Counsel
Memphis 1 Commerce Square Suite 1800 Memphis, Tennessee 38103 901/521-3872	A. David Meadows Regional Director	George Muraco Asst. R/D	Paula Winston Review Examiner	Jeffrey C. Gerrish Regional Counsel
Minneapolis 730 Second Avenue South Suite 266 Minneapolis, Minnesota 55402 612/725-6241	Billy C. Mullican Regional Director	Kevin Murphy Asst. R/D	Gary Maciejewski Review Examiner	David J. Peat Regional Counsel
New York 345 Park Avenue 21st Floor New York, New York 10154 212/826-4762	Bernard J. McKeon Regional Director	Nick Ketcha Asst. R/D	Alan Hanig Review Examiner	Sheldon J. Reisman Regional Counsel
Omaha 1700 Farnam Street Suite 1200 Omaha, Nebraska 68102 402/221-3311	Jay Paul Ramey, Jr. Asst. Regional Director	Paul Ramey, Jr. Asst. R/D	Billy Keller Review Examiner	Rae Schupack Regional Counsel

REGIONAL  
OFFICES

FORMAL  
ASSISTANCE

DISCUSS  
BANK FRAUD  
CASES

31 C.F.R. 103

SUBPOENAS

Philadelphia  
1900 Market Street  
Suite 616  
Philadelphia, Pennsylvania 19103  
215/597-2295

Robert A. Dorbad  
Regional Director

Robert Hainsworth  
Asst. R/D

Bob Fanning  
Review Examiner

Eugene A. Miller  
Regional Counsel

San Francisco  
25 Ecker Street  
Suite 2300  
San Francisco, California 94105  
415/546-0160

Charles E. Doster  
Regional Director

Paul Jennison  
Asst. R/D

Jerry Saylor  
Review Examiner

Ford R. Paulson  
Regional Counsel

## MEMORANDUM SYSTEM

Classification Number	6700 (1)
Date	October 8, 1981
Contact	Dudine, Ext. 415
<input type="checkbox"/> Notice	<input checked="" type="checkbox"/> Memorandum

6780

TO: Regional Directors

FROM: Quinton Thompson  
Director*Quinton Thompson*SUBJECT: Examiner Assistance to Federal Law  
Enforcement Authorities

1. Purpose. To establish guidelines for providing examiner assistance to federal law enforcement authorities.
2. Background. From time to time the Federal Bureau of Investigation (FBI), Internal Revenue Service (IRS), U.S. Attorney's Offices, Department of Justice and the various organized crime strike forces have requested the assistance of an FDIC examiner to help develop criminal cases involving insured nonmember banks. Such requests have become more frequent in recent months.

Requests for examiner assistance may arise from investigations of bank fraud and embezzlement cases referred to the U.S. Attorney by the FDIC or by the banks themselves. Other cases are developed from information gathered by organized crime strike forces or similar multi-agency investigative groups. The IRS often requests assistance in developing criminal cases under 31 C.F.R. 103, the financial recordkeeping and reporting of currency and foreign transactions regulations.

Usually, an examiner is requested to provide expertise to aid law enforcement agents in building a case. The examiner may be asked to interpret documents subpoenaed from the bank; explain how the documents flow through the system; and determine whether they are relied upon at some point by FDIC examiners, bank auditors or managers to formulate business decisions or opinions as to the condition of the bank. At other times, more specific assistance is desired. In several cases, the initial request for assistance has led to a later request for the examiner to provide testimony at trial or before a Federal Grand Jury.

Transmittal No. 182

3. Policy and Guidelines. In response to requests for examiner assistance from federal law enforcement authorities, the Division of Bank Supervision and all Regional Offices will cooperate to the fullest extent practicable. The following guidelines should be considered prior to granting any request for examiner assistance.

- The request for assistance must be made by a legitimate law enforcement authority having jurisdiction over the suspected irregularity;
- The information requested or that which the examiner has been asked to review must be relevant to a legitimate law enforcement inquiry;
- The suspected irregularity must involve an insured state nonmember bank, its directors, officers, employees or customers;
- In cases where the bank itself is not under investigation, the targets of the investigation must be specified and should be associated with the bank as directors, officers, employees or customers;
- Compliance with all applicable provisions of the Right to Financial Privacy Act covering disclosures of information derived from bank customer records must be assured;
- The selected examiner should be formally detailed to the law enforcement authority for a period of time which is mutually convenient. During the detail the Corporation will provide regular duty salary and travel expenses. A Standard Form 52 should be prepared if the detail period exceeds 30 calendar days. A separate travel authorization, if necessary, and a separate travel voucher should be prepared to cover the detail period;
- The examiner should be instructed that while assisting the law enforcement authorities, he/she will be acting solely as a representative of the law enforcement authority and will not represent the FDIC in any way and should not assert nor exercise any authority as a Corporation examiner;
- The examiner should be cautioned to avoid accompanying law enforcement agents on to the bank's premises for the purpose of gathering records;
- In order to avoid inappropriate disclosure of irrelevant information gathered through the examination process, it may be prudent to select an examiner who has not participated in a recent examination of the bank under investigation. Of course, certain situations particularly those involving Federal Grand Jury proceedings may necessitate selection of the Examiner-in-Charge (or equally knowledgeable examiner) of the most recent examination of the bank under investigation;
- Testimony under oath either at trial or before a Federal Grand Jury should be specifically authorized at such time as formally requested by the U.S. Attorney. Generally, authorization for such testimony should not be included in the original authorization to provide assistance.

4. Examination Resources. Any request for examiner assistance should be viewed in terms of the region's overall demand for examination resources. While our objective is to cooperate to the fullest extent possible, instances may arise in which the examiner's time may be more urgently needed elsewhere, e.g., in dealing with priority matters concerning problem bank examinations. In other words, assistance to law enforcement authorities is of priority, but not to the exclusion of all others.

5. Delegations of Authority to Provide Examiner Assistance to Federal Law Enforcement Authorities. Regional Directors have been delegated authority under Section 309.6(c)(4)(ii) to disclose Reports of Examination and other exempt records to the proper Federal and State prosecuting or investigatory authorities. This authority extends to providing examiner assistance whenever the irregularities discovered in banks are believed to constitute violations of any Federal or State civil or criminal law, or unsafe or unsound banking practice.

Pursuant to Section 309.6(c)(8), Regional Counsels have been delegated authority from the General Counsel to authorize Corporation examiners to appear and testify at any administrative or judicial hearing or proceeding where such examiner has been served with a valid subpoena, court order, or other legal process requiring him to testify.

6. Contacts. Questions concerning this subject should be directed to the Intelligence Section at FTS 389-4415. A brief memorandum covering the nature and duration of and personnel involved in such details should also be forwarded to the Intelligence Section.

7. Expiration Date. This memorandum is effective until cancelled.



## MEMORANDUM SYSTEM

6462 (S)

Date April 21, 1981

Contact Dudine, Ext. 415

☐ Notice ☒ Memorandum

TO: Regional Directors

FROM: Quinton Thompson, Director  
Division of Bank Supervision *Quinton Thompson*

SUBJECT: Examination Procedures, Financial Recordkeeping and Reporting of Currency and Foreign Transactions

1. Purpose. Distribute newly adopted examination procedures and supporting instructions covering Treasury's Financial Recordkeeping and Reporting of Currency and Foreign Transactions regulations (31 C.F.R Part 103).
2. General Provisions. The attached procedures have been adopted by the the FDIC, Office of the Comptroller of the Currency and the Federal Reserve System. They are set forth in two separate modules which are progressively extensive in scope. Completion of the first module enables the examiner to determine whether the examination can be concluded at that point or whether the examiner should continue into Module II.  
  
Module I requires the examiner to establish that the examined institution has appropriate operating and auditing standards. In addition, it requires the examiner to conduct a detailed review of the institution's internal audit functions and entails the examination of procedures and selected workpapers, reports and responses. This review of auditing methodology and implementation should enable the examiner to decide whether to conclude the review or examine further.  
  
Module II sets forth guidelines for the examiner to employ in conducting a review of a sample of actual transactions and related documentation.  
  
This same type of extensive examination (i.e., both Modules I and II) would also be conducted in certain institutions determined by the FDIC or identified by other regulatory or law enforcement agencies as being in probable noncompliance with the regulations.
3. Responsibility and Action. The new procedures should be implemented immediately. All previous memoranda containing examination procedures on this subject are hereby rescinded.
4. Report Checklist. A copy of Form FDIC 6500/54 revised February, 1981 is attached and should be used in conjunction with the new procedures. Supplies of the new forms are available from the Storage Unit - Services Section.
5. Expiration Date. Effective until cancelled.

Attachment

FINANCIAL RECORDKEEPING AND REPORTING REGULATIONS  
EXAMINATION PROCEDURES

MODULE I

The purpose of this module is to determine that the financial institution under examination has established operating standards and audit procedures to reasonably ensure compliance with the requirements of the regulations.

1. The examiner should meet with and submit the Checklist (Form FDIC 6500/54) to either a senior official or compliance officer, if applicable, of the institution for completion and require sign-off by the official.
2. The examiner should ascertain that the institution has established in writing formal operating procedures to ensure compliance with the regulations. It would be acceptable for certain small financial institutions which do not regularly handle large currency transactions to operate under standard procedures not reduced to writing.
  - a) Reporting - Operating procedures should set forth the requirements of the regulations and establish compliance guidelines with respect to large cash transactions and exemptions granted to customers.
  - b) Recordkeeping - The institution's record retention schedule should, at a minimum, include the record retention requirements of the regulations. Furthermore, requirements for the maintenance of lists of exempt customers with retail affiliations and customers from whom taxpayer identification numbers have not been obtained should be included.
3. Obtain a copy of the institution's list of exempt customers. Through a review of this document, determine:
  - a) that its contents conform to the requirements of the regulations (name, address, business, nine-digit Federal taxpayer identification number, reason for exemption, etc.) (103.22(e)), and that the exemptions appear reasonable.
  - b) that the institution has, in granting exemptions, adhered to its established policy.
4. The examiner should review the file of reports submitted (4789 and 4790) and ascertain that they are properly completed and filed as required.
5. The examiner should ascertain that the institution has established a program of employee education with regard to the requirements of the regulations.
  - a) Tellers, through an ongoing training program, should be apprised of the reporting requirements for large cash transactions.

- b) Operations personnel should be made aware of the current requirements of the regulations and management should periodically reinforce the importance of compliance.
- c) Operations personnel (i.e., tellers, platform officers, branch managers) should be interviewed to ascertain whether they are sufficiently knowledgeable concerning the regulations and operating procedures to assure compliance. This phase of the examination should be conducted at those branches which conduct relatively large volumes of cash business.

PROCEDURE 6 IS TO BE OMITTED IF THE INSTITUTION DOES NOT HAVE AN INTERNAL AUDIT FUNCTION. IN SUCH CASES, THE EXAMINER SHOULD ASCERTAIN THAT A PROGRAM OF MANAGEMENT REVIEWS OR SELF AUDITS HAS BEEN ESTABLISHED WHICH ENCOMPASSES THE REQUIREMENTS OF THE REGULATIONS.

- 6. The examiner should test the institution's own audit procedures and determine that the internal audit function provides coverage of the following sections of the regulations.
  - a) Reporting - Coverage of the reporting requirements should be found in the procedures and should include a review of actual tellers' work and Forms 4789 and 4790.
  - b) Recordkeeping - Coverage of the institution's recordkeeping activities should encompass a test of adherence to the in-house record retention schedule. It is understood that this schedule should meet the requirements of the regulations.
  - c) Exemptions - Coverage should include audit steps necessary to ascertain that the institution is maintaining a list of exempt customers which includes their retail affiliations as required by the regulations. The examiner should expect the audit procedure to provide a test of the reasonableness of the exemptions granted.
  - d) Foreign Accounts - Coverage in this area should require the auditor to ascertain that the institution has filed Form 90-22.1 declaring interest in a foreign financial account.
- 7. The examiner should review the results of the prior examination report and follow-up on any deficiencies.
- 8. The examiner should review the totals of cash shipped to and/or received from the Federal Reserve Bank (reported on Form MD-115) or correspondent bank during the last six months. If, in the examiner's judgement, that amount appears high in relation to the amount the bank has reported on Form 4789 for the last six months, the examiner should discuss his/her findings with management and obtain a reasonable explanation.

AT THIS POINT, THE EXAMINER MUST EXERCISE JUDGEMENT IN DECIDING WHETHER FURTHER EXAMINATION AND TESTING IS NEEDED.

—If the examiner is satisfied with the results from the steps above, the findings should be summarized in the workpapers.

--If, however, it is determined that further work is warranted, the examiner should implement Module II.

## MODULE II

The purpose of this module is to conduct on-site examination of teller operations relative to Financial Recordkeeping and Reporting Regulations. This module sets out procedures and guidelines the examiner should use when conducting test checks for compliance with the regulations. Criteria for selection of branches for detailed review are listed along with general guidelines applicable to either multiple or single office financial institutions.

This phase of the examination should include a minimum of five (preferably ten or more) days of transactions and one to three branch offices. Branch examinations should encompass a review of the work of selected tellers within the days selected.

The selection of tellers should be governed by the bank's internal procedures. For example, if it is the bank's practice to direct all large currency transactions to specific tellers, the examiner may concentrate on the work of those tellers. In the absence of such procedures, or if the procedures are not being followed, the work of all tellers should be reviewed.

### 1. A REVIEW OF CURRENCY DISTRIBUTION/CASH CONTROL CENTER AND BRANCH OPERATIONS

- a) Submit the Currency Distribution and Cash Control Center Letter and its attached Currency Shipment/Distribution Report to the Officer-in-Charge of the Center.
- b) If branches ship directly to a Federal Reserve Bank or a correspondent institution, then a copy of the letter and the currency shipment report must be submitted to every branch that ships currency directly to a Federal Reserve or correspondent institution.
- c) Check the records maintained at the currency distribution/cash control center or the branch to ensure that the information in those records is compatible with information provided by the Officer-in-Charge and the Guidelines outlined below. (See Section 2)
- d) A Bank Office Letter should be personally addressed and sent to every branch.

### 2. GUIDELINES FOR SELECTION OF BRANCHES FOR ON-SITE REVIEW

- a) In reviewing the information provided in the Currency Distribution Letter and Bank Office Letters, examiners should use the following criteria to select those branches for on-site review.
  - (1) Branch requests for large denomination currency represent the most significant portions of their total currency requirements;

- (2) Branch requests for large denomination currency are significantly greater than average branch requirements;
  - (3) Branch does not ship large denomination currency;
  - (4) Branch reports no exempt list;
  - (5) Branch manager would not sign the statement contained in the Bank Office Letter;
  - (6) Branch is characterized by unusual cash transactions with Cash Control Center, Federal Reserve Bank, or correspondent institution.
- b) In the absence of significant leads, consider selection of branches for on-site review by sampling on a random basis.

### 3. GENERAL GUIDELINES FOR ON-SITE REVIEW

- a) When at the office location, the examiner is to review the work of selected tellers within a specific time period. (See above criteria for selection of tellers. Recommended time period: minimum five days, preferably ten days.) The examiner should take into account the time period allowed for filing Forms 4789 and 4790 in selecting the time frame in which the examination will be conducted. For example, if the date of examination is 12/31/80, the grace period for filing is 15 days, and the examiner is reviewing transactions for 2 weeks, or 14 days, then the examiner should review transactions at least 29 days before 12/31/80.
- b) Obtain, for selected tellers, completed cash proof sheets for as many consecutive dates as practical. From a day-to-day comparison of total \$50 bills and \$100 bills, determine specific tellers who experienced a significant (\$10,000) fall-off in these denominations that is not supported by the tellers' transactions. Incidents of this type should be reported to management as possible incidents of currency washing.

### 4. REVIEW PROCEDURES FOR SELECTED TELLERS AND SELECTED DATES

- a) Obtain and review tellers' documentation for the selected dates.
- b) Note any cash-in or cash-out transactions of more than \$10,000.
- c) In instances where such transactions are discovered, determine the type of transaction and if it was reported. Transactions with non-exempt customers not reported should be researched to ascertain if they are truly subject to the regulation.
- d) Review consecutive transactions which total in excess of \$10,000 to ascertain if made by or for one depositor.



e) The following transactions should be checked:

- (1) Cashed checks — items should be traced to ascertain if they are a cash-out of more than \$10,000 or part of a split transaction. Split transactions which do not involve a cash-out of more than \$10,000 should be eliminated.
- (2) Cash deposits — any transaction involving the receipt of more than \$10,000 cash.
- (3) Savings withdrawal — cash withdrawals of more than \$10,000.
- (4) Personal money orders or official checks sold — any sale for more than \$10,000 cash must be reported, even to an exempt customer. Be aware of consecutive items sold. A check of paid items could reveal that they were sold to same customer.
- (5) Savings bonds sold or cashed — transactions involving more than \$10,000 cash.
- (6) Official checks cashed — cash-outs.
- (7) Loans — note teller receipt or pay-out of more than \$10,000.
- (8) Securities sold or purchased — if institution acts as agent for an individual and the transaction involves more than \$10,000 cash.

f) The examiner should obtain and review the list of exempt customers. Lists which appear inordinately long or which contain names of customers the size or nature of whose business would not ordinarily merit exempt status should be discussed with management of the institution under examination. If after discussion with management, the examiner feels that criticism may still be warranted, the matter should be referred to the regional office.

5. List exceptions for possible inclusion in the report of examination.



FEDERAL DEPOSIT INSURANCE CORPORATION

BANK OFFICE LETTER

Date: \_\_\_\_\_

\_\_\_\_\_, Officer-in-Charge

\_\_\_\_\_, (Office)

\_\_\_\_\_, (Location)

Dear Sir/Madam:

To facilitate our examination of compliance with Financial Recordkeeping and Reporting Regulations under Public Law 91-508, please furnish the examiner-in-charge with the information listed below.

\_\_\_\_\_  
Examiner

- 1) A copy of your list of customers who are considered to be exempt from the reporting requirements of the Regulations.
- 2) Describe how currency transactions over \$10,000 for customers are recorded and reported by individual tellers at your office.
- 3) Describe the records used at your office to document, by denomination, currency transfers between tellers, including transfer from and to vault cash.
- 4) Name of person in your office who is responsible for filing Currency Transaction Reports (Form 4789).
- 5) Indicate where copies of all Currency Transaction Reports (Form 4789) prepared by your office are maintained.
- 6) A list of all transactions for which Currency Transaction Reports (Form 4789) are due to be filed but have not yet been submitted by your office.
- 7) If periodic reviews are conducted by office management of exempt customers to ensure that their status has not changed under Recordkeeping and Reporting Regulations, please make supporting documentation available, including:
  - a) dates of last two reviews;
  - b) description of work reviewed;
  - c) names of individuals who conducted the review and their findings.

\*\*\*\*\*

Currency Transaction Reports (Form 4789) have been completed for all required transactions. A centralized list of exempt customers is currently maintained.





FEDERAL DEPOSIT INSURANCE CORPORATION

CURRENCY DISTRIBUTION LETTER

Date: \_\_\_\_\_

\_\_\_\_\_, Officer-in-Charge

Office #: \_\_\_\_\_

\_\_\_\_\_  
(Location)

Dear Sir/Madam:

In order to facilitate our review for compliance with Financial Recordkeeping and Reporting Regulations, please submit to the below-named examiner the following information. Supporting source records should be made available for review upon request.

\_\_\_\_\_  
Examiner

Please provide, according to the attached format, the following information for the period from \_\_\_\_\_ to \_\_\_\_\_, inclusive.

- 1) For offices which ship and receive currency through a central currency distribution center within the institution, please provide:
  - a) A list of all currency shipments between the distribution center and the Federal Reserve Bank or correspondent institution;
  - b) A list, by office, of all currency shipments between the distribution center and offices;
  - c) A list of currency shipments between offices;
  - d) A list of offices which have shown a significant increase in their use of large bills during the past twelve months, either as a portion of their total shipment of currency or in comparison to other offices.
- 2) For offices which transact (ship and/or receive currency) with the Federal Reserve Bank or correspondent institution, please provide:
  - a) A list of all currency transactions between the office and the Federal Reserve Bank or correspondent institution;
  - b) A list of all currency transactions with other offices.

(Signed) \_\_\_\_\_

\_\_\_\_\_  
(Title and Position)

from \_\_\_\_\_ to \_\_\_\_\_

Officer-in-Charge \_\_\_\_\_  
Institution \_\_\_\_\_  
Name \_\_\_\_\_  
Location \_\_\_\_\_

[illegible]

(Signed) \_\_\_\_\_  
(Title and Position) (Date)

## FINANCIAL RECORDKEEPING AND REPORTING OF CURRENCY AND FOREIGN TRANSACTIONS REGULATIONS

### BACKGROUND

The purpose of the Financial Recordkeeping and Reporting of Currency and Foreign Transactions Act of 1970, often referred to as "The Bank Secrecy Act", is to require financial institutions to maintain appropriate records and to file certain reports which have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. The financial reporting and recordkeeping regulations issued pursuant to the Act were originally intended to aid investigations into an array of criminal activities; from income tax evasion to the laundering of money by organized crime. In recent years, however, the reports and records prescribed by the bank secrecy rules have been mainly utilized as tools for investigating individuals suspected of engaging in illegal drug activities. Law enforcement agencies have found currency transactions reports to be extremely valuable in tracking the huge amounts of cash generated by illicit drug traffickers. Failure to file currency transaction reports has resulted in criminal charges being brought against banks and bank employees where it was shown that such failure furthered other illegal activity such as illicit drug traffic.

Due to the seriousness of the drug traffic problem and in view of the large currency surpluses flowing into or through banks in certain sections of the country; most notably south Florida, the federal financial institutions supervisory agencies joined in a coordinated effort with the Treasury and law enforcement agencies to counteract what was believed to be increased noncompliance with the large currency transactions reporting requirements fostered at least in part by the attractive inducements provided by cash-rich drug traffickers. The comprehensive examination procedures put in place by the examining agencies in early 1981 were a result of this effort.

### THE BANK SECRECY ACT

The Act consists of two parts; Title I - Financial Recordkeeping, and Title II - Reports of Currency and Foreign Transactions. Title I authorized the Secretary of the Treasury to issue regulations which require insured financial institutions to maintain certain records. This title empowered the Treasury to prescribe regulations requiring uninsured institutions "to require, retain, or maintain" records of the type required of insured institutions, and "to maintain procedures to assure compliance therewith".

Title II established criteria for and empowered the Treasury to prescribe regulations governing the reporting of certain transactions by and through financial institutions; reporting the movement of currency and monetary instruments in excess of \$5,000 into, out of, and through the United States; and maintaining records and filing reports of transactions of residents of the United States, or other persons in the United States, doing business with foreign financial institutions. Implementing regulations (31 C.F.R. Part 103) have been issued by the Secretary of the Treasury and are contained in the FDIC Prentice-Hall Service.

## CURRENCY TRANSACTIONS REPORTS

A financial institution within the United States generally must file a Currency Transaction Report, IRS Form 4789, for each transaction in currency over \$10,000. A transaction in currency is any transaction involving the physical transfer of currency from one person to another and covers deposits, withdrawals, exchanges of currency or other payments or transfers of currency. Currency is defined as currency and coin of the United States or any other country as long as it is customarily accepted as money in the country of issue.

### EXCEPTIONS

Reports are not required of transactions with Federal Reserve Banks, Federal Home Loan Banks, or other domestic banks.

NOTE: An interpretation by the Treasury Department states that multiple transactions on the same day by or for the same customer which exceed \$10,000 in currency are reportable transactions if the financial institution is aware of them. In certain cases, transactions spread over a number of days may also constitute reportable transactions; however, banks are not required to establish elaborate procedures to try to detect this type of activity.

### EXEMPTIONS

A bank may exempt transactions of certain categories of customers from the reporting requirements:

- 1) Deposits and withdrawals by an established customer who is a United States resident and operates a retail type of business in the United States. A retail business is defined as one which provides goods to the ultimate consumer;
- 2) Deposits and withdrawals of currency from an existing account by an established depositor who is a United States resident and operates a sports arena, race track, bar, restaurant, hotel, amusement park, vending machine company, theatre, or a check cashing service which is licensed by State or local government;
- 3) Deposits or withdrawals, exchanges of currency or other payments and transfers by local or state governments, or the United States or any of its agencies or instrumentalities; or
- 4) Withdrawals for payroll purposes from an existing account by an established depositor who is a United States resident and operates a firm that regularly withdraws more than \$10,000 in currency for payroll purposes.

A bank may exempt transactions of these types of customers provided the transactions are in amounts that the bank may reasonably conclude do not exceed the customary conduct of the lawful domestic business of that customer. The bank

must maintain a centralized list of all exemptions containing the name, address, type of business, taxpayer identification number and account number for each exempt customer and whether the exemption covers deposits, withdrawals, or both; and the dollar limit of the exemption granted. A list of domestic banks to and from which currency is shipped must also be kept.

**NOTE:** Except for transactions of government entities, the regulation only allows an exemption for deposits and/or withdrawals. All other currency transactions, e.g. exchanges of currency or purchases of cashiers checks which do not flow through a deposit account, exceeding \$10,000 must be reported even if the customer has been granted an exemption. Also, currency transactions which exceed the dollar limit established for each exempt customer must be reported.

**NOTE:** Exemptions may not be granted for automobile, boat, or airplane dealerships or for nonbank financial institutions. A nonbank financial institution is any entity defined in Section 103.11 as a "financial institution" which does not also meet the definition of a "bank" in the Regulations. For example, American Express is "an issuer of travelers' checks" which is defined as a "financial institution" in the Regulations, but it is not one of the entities defined as a "bank"; therefore, American Express is a nonbank financial institution.

A bank may make a request to the Secretary of the Treasury for permission to grant special exemptions if the bank believes that circumstances warrant such exemptions.

#### REPORTS AND REQUIRED INFORMATION

Reports required by Section 103.22(a) of the regulations must be filed on IRS Form 4789 with the Internal Revenue Service within 15 days following the date of the transaction. The bank must retain a copy of each report filed for a period of five years from the date of the report.

The regulations specifically require that all information called for in the reports be furnished. Each party to the transaction must be identified by name and address, account number, and social security number or taxpayer identification number. The method used to identify the person presenting the transaction must be recorded on the report form. If there is no social security number or taxpayer identification number, the word "None" should be entered in the appropriate block. For an alien, or a person who indicates that he is not a resident of the United States, verification of identity must be made by passport, alien identification card, or other official document evidencing nationality or residence. For others, the identity verification procedures that would normally be used in cashing a check should be performed, e.g., drivers license or credit card.

#### REPORTS OF TRANSPORTATION OF CURRENCY OR MONETARY INSTRUMENTS

Each person who physically transports, mails, or ships, or causes to be physically transported, mailed, or shipped, currency or other monetary instruments in an aggregate amount exceeding \$5,000 on any one occasion from



the United States to any place outside the United States shall make a report on U.S. Customs Form 4790 at the time of entry into the United States or at the time of departure, mailing or shipping from the United States. Each person who receives in U.S. currency or other monetary instruments an aggregate amount exceeding \$5,000 on any one occasion which has been transported, mailed or shipped to such person from any place outside the United States with respect to which a report has not been filed under Section 103.23(a) whether or not required to be filed thereunder, shall make a report stating the amount, the date of receipt, the form of monetary instruments, and the name of the person from whom received. The U.S. Customs Form 4790 shall be filed within 30 days after receipt of the currency or monetary instruments.

NOTE: Banks are not required to determine the origin or destination of currency received or disbursed over the window or to file a Form 4790 unless the bank knows that a truthful Form 4790 has not been filed by the customer. Reports are not required of entities listed in Section 103.23(c). Refer to that section for more specific information concerning exceptions.

#### REPORTS OF FOREIGN FINANCIAL ACCOUNTS

Each person subject to the jurisdiction of the United States (except a foreign subsidiary of a U.S. person) having a financial interest in, or signature authority over a bank, securities, or other financial account in a foreign country shall file a Treasury Form 90-22.1, Report of Foreign Bank, Securities, and Other Financial Accounts, on or before June 30 of each year. The report shall contain the name in which the account is maintained, account number or other identification, the name and address of the foreign bank, the type of account and the maximum value of the account for the reporting period.

Persons having a financial interest in 25 or more foreign financial accounts need only note that fact on the form. Such persons will be required to provide detailed information concerning each account when so requested by the Treasury.

#### RECORDS TO BE MADE AND RETAINED BY FINANCIAL INSTITUTIONS

Each financial institution shall retain either the original or a microfilm or other copy or reproduction of each of the following:

A record of each extension of credit in an amount in excess of \$5,000, except an extension of credit secured by an interest in real property, which record shall contain the name and address of the borrower, the amount, the nature or purpose and the date of the loan.

NOTE: The stated purpose can be very general such as passbook loan, personal loan, business loan, etc. Additionally, the purpose of a renewal, refinancing or consolidation is not required as long as the original purpose has not changed and the original statement of purpose is retained for a period of five years after the renewal, refinancing or consolidation has been paid out.

A record of each advice, request, or instruction received regarding a

transaction which results in the transfer of funds, or of currency, other monetary instruments, checks, investment securities, or credit, of more than \$10,000 to a person, account, or place outside the United States; and

A record of each advice, request, or instruction given to another financial institution or other person located within or without the United States regarding a transaction intended to result in the transfer of funds, or of currency, other monetary instruments, checks, investment securities, or credit, of more than \$10,000 to a person, account or place outside the United States.

#### ADDITIONAL RECORDS TO BE MADE AND RETAINED BY BANKS

Section 103.34(a)(1) requires banks to obtain a social security number or taxpayer identification number for each deposit account opened after June 30, 1972 and each certificate of deposit sold or redeemed after May 31, 1978. The bank has 45 days to obtain the number but will not be held in violation of the regulations if it has made a reasonable effort to obtain the number and maintains a list of those customers names, addresses and account numbers from whom it has been unable to secure such identification numbers.

NOTE: A reasonable effort is considered to be at least one written follow-up request made within the 45 day period. Additionally, an opinion from the Corporation's Legal Division dated August 24, 1978 indicates that a bank is not required to maintain a current, up-to-date list of customers without taxpayer identification numbers if it has procedures to facilitate the creation of such a list in a reasonable time (about 2 weeks).

Section 103.34(b) generally requires banks to maintain records in either original form or on microfilm or other copy or reproduction of items needed to reconstruct demand deposit accounts and other receipts or remittances of funds through a bank. Refer to that section for more detailed information.

#### NATURE OF RECORDS AND RETENTION PERIOD

Records required to reconstruct a demand deposit account shall be retained for two years. All other records required by the regulations shall be retained for five years. Records should be accessible within a reasonable period of time (generally two weeks).

#### EXAMINATION PROCEDURES - CURRENCY TRANSACTION REPORTING

(The following pages contain information which supports and complements the examination procedures and include instructions for preparation of examination reports.)

#### Reference      MODULE I

Module I-1      At the beginning of the examination, the examiner should meet with a senior bank officer and/or the compliance officer to



Module II-1 discuss the purpose of the examination and briefly outline the procedures which will be followed in the examination. The Checklist (Form FDIC 6500/S4) and Bank Office Letter are to be distributed to a senior officer for completion and signature. The examiner should also distribute copies of the Currency Distribution Letter to each currency distribution center and Bank Office Letters to branch managers. Any large or unusual cash flows reported on the Currency Distribution Letter should be investigated to determine the source. Any exceptions on the Bank Office Letters should be discussed with senior bank management. The completed letters are to be retained in the workpapers.

#### EXEMPT CUSTOMERS

Module I-3 The Examiner should obtain and retain in the workpapers for future reference a copy of the bank's exempt customer list. A review of any changes in the list dictated by direct correspondence between the bank and the Treasury Department might help to assess the reasonability of exemptions.

NOTE: The granting of exempt status to customers is a management decision as long as those customers fit the criteria set forth in Section 103.22(b). To comply with the regulations, the bank must research and analyze each account to some extent in order to justify an exemption and to set a dollar limit for the deposits and withdrawals exempted. A dollar limit of \$10,000 is meaningless since the transactions under that amount are not reportable anyway. Any questionable exemptions should be discussed with bank management.

#### CURRENCY TRANSACTION REPORTS

Module I-4 When reviewing Forms 4789 (Currency Transaction Reports) that the bank has filed since the last examination, deficiencies should be noted and copies of deficient reports retained in the workpapers. If any patterns are indicated, such as a large number of forms filed for the same customer, the examiner should retain copies of these forms and cross-check them to the customer's account or to official checks to see that reports have been filed for all covered transactions involving that customer.

Module I-2, Policies and procedures should cover employee training and I-5 should fix responsibility for collecting, reviewing, and filing the reports. The guidelines should also include a provision for periodic management review of the list of exempt customers to insure that the information on the list is up-to-date.

Periodic review is necessary because of the opening and closing of accounts and possible changes in a customer's needs. For example, a dollar limit on cash deposits of \$15,000 set when the original exemption was granted may not be sufficient to meet the customer's needs a year later. If the dollar limits are not adjusted to reflect actual currency volume, the bank would be required to file reports for cash deposits over \$15,000 for that customer.

#### INTERNAL AUDIT COVERAGE

- Module I-6 An effective internal audit program might include:
- Periodic checks of cash-in and cash-out entries and the matching of those entries to offsetting documents to determine whether the transactions are reportable.
  - Review of large balance change reports (if used by the bank) and subsequent follow-up of any suspect transactions to determine whether any are reportable.
  - Review of cash control records to identify any large or unusual movements of cash between tellers, between offices, between the vault and tellers, and shipments into or out of the bank. Large or unusual movements should be traced to see if reportable transactions have been handled properly.

NOTE: Banks should be encouraged to adopt procedures for the documentation of transfers of cash between tellers. From an internal control standpoint, tellers should be prohibited from trading or exchanging cash among themselves unless transfers are properly documented.

- Periodic review of selected teller tapes to identify large cash transactions and determine the transactions which should have been reported; then see that appropriate reports were completed and filed.
- Periodic review of the bank's list of exempt customers to see that all required information has been provided and also to test the eligibility of the exemptions which have been granted.
- Periodic quizzing of appropriate employees to insure that they are aware of the reporting requirements of the regulations.

- Module I-7 The most recent internal audit report should be reviewed and exceptions traced to see if corrective measures have been taken. The examiner should review the audit workpapers to see that procedures are documented.

If the bank does not have an internal audit function, the examiner should determine what procedures the bank uses to insure compliance with the reporting requirements of the Regulation.

At this point, if the examiner is reasonably satisfied that the bank employs adequate procedures to assure compliance with the reporting requirements and is judged to be in substantial compliance with the regulations, the examination may be terminated. The reasons for concluding the examination after completion of Module I are to be fully documented in the workpapers and capsulized on a blank report page following FDIC Form 6500/54.

If after completing Module I the examiner cannot conclude that the bank is in substantial compliance with the regulations, Module II should be implemented.

## MODULE II

- Module I-8 The examiner should review cash control records for the last six months and note any significant increases in cash shipped or received by the bank. The examiner should look for any pattern in cash receipts or shipments. For instance, a consistent pattern of shipping small bills and receiving large bills might indicate that the bank is involved in exchanging currency or "laundering" of currency. The examiner should compare the current year's activity with a comparable period from prior years to see if there are any significant differences and determine the reasons for same.

## SELECTING TELLERS

- Module II-3 Teller proof sheets should be obtained for a two-week period, keeping in mind that the bank has 15 days in which to file Currency Transaction Reports. The test period should end at least 15 days prior to the date of examination. Teller selection should be based on the bank's internal policies or procedures. If it is the bank's policy to direct large currency transactions to a specific teller or tellers, then it will be necessary to review the work of only those tellers. If the bank has no such policy or there is evidence of circumvention of the policy, then it will usually be necessary to review the work of all tellers. In multi-office systems, one to three branches should be included in the review.

## SELECTING BRANCHES

- Module II-2 In selecting branch offices for sampling, offices with the largest flow of cash, those that never request large denomination currency, or offices with no exempt customers might be appropriate selections. If none of these indicators is present, random sampling may be used.

NOTE: The examiner should exercise some judgment in the review of teller work when it is required that all tellers must be included in the review. For example, if a teller's total

cash-ins or total cash-outs for a given day were \$25,000 or less; it would be logical to assume that there were few, if any, cash transactions over \$10,000 for that day. Therefore, there would be no need to review that teller's tapes for that day. Some work can also be eliminated if transfers between tellers and the vault can be identified and eliminated from the total cash-ins and total cash-outs for each teller. Since many tellers' machines record the account number with each transaction, the account number should be compared with those on the list of exempt customers and those transactions should be eliminated, provided the cash portion of the transaction falls within the dollar limit assigned by the bank for that customer. Any cash transaction over the established dollar limit is reportable. It is important to note that the exemptions cover only deposits and withdrawals. Any other cash transaction over \$10,000, even by an exempt customer, must be reported. Any suspect transactions should be traced to the offsetting entries to determine whether or not the transactions should have been reported.

**NOTE:** Before researching the identified transactions, the examiner should check to see if corresponding Forms 4789 were filed for those transactions. If so, there will be no need to do further research on those items.

#### UNUSUAL TRANSACTIONS

Module II-3 While reviewing teller work, the examiner should look for any significant decrease in large bills (\$50 and \$100) which is not supported by teller transactions. If any such situations are noted, they should be reported to management. Many banks do not document exchanges of currency. They should be encouraged to do so.

Module II-4 Consecutive transactions involving cash in excess of \$10,000  
RD-222-80 should be reviewed to determine if made by or for one deposi-  
(12-31-80) tor. Suspect transactions can be pursued further.  
The following transactions should be checked:

- Cashed checks - pay particular attention to multiple items cashed by the same person;
- Cash deposits;
- Savings withdrawals and certificate of deposit redemptions;
- Personal money orders or official checks sold;
- Savings Bonds sold or cashed.
- Official checks sold or cashed - look for consecutive items.
- Traveler's checks sold or cashed.
- Loan payments or loan proceeds paid in cash.
- Securities sold or purchased for cash if the bank acts as agent for an individual and the transaction involves more than \$10,000 in cash.

BEST COPY AVAILABLE

NOTE: The examiner should determine if the bank has any policy governing the sale of personal money orders or official checks for cash, particularly large amounts of cash. If not, the bank should be encouraged to adopt a policy to require officer approval of official checks sold for cash for over \$10,000 to any individual customer. Purchasing official checks is one popular form of "laundering" currency because, in many instances, the actual purchaser of the checks is difficult to identify. If the name of the purchaser is not known, look for consecutive items issued to the same person usually for even amounts, but not necessarily large amounts. Endorsements should also be checked for similar or the same names or to see if funds were deposited to the same account at another bank. A random review of paid checks may be sufficient to locate this type of activity. If such activity is identified, see if proper reports were filed and contained the information required in Part IV item 6 of Form 4789.

#### CENTRALIZED LIST OF EXEMPT CUSTOMERS

Section  
103.22(e)

The regulation requires the bank to maintain a centralized list of exempt customers. There is nothing to prohibit the bank from keeping a list for each branch at the respective branches as long as one central "master" list is maintained.

Banks should be encouraged where practicable to designate one person, preferably an officer, to collect, review and file the reports for all offices and keep the copies in a central location. This will aid in internal control and auditing and will indicate to the reviewer which customer may be making large cash deposits at more than one office. This will also aid in the uniformity of the reports and the timely filing of the reports.

#### CITING VIOLATIONS

When citing an apparent violation, the following information should be included:

- Reference to the appropriate section of the regulation;
- The nature of the apparent violation;
- The date of the transaction;
- The name of each party to the transaction;
- The amount of the transaction; and
- The nature of the transaction.

When discussing the findings of the examination with bank management, the examiner should be careful not to tell management or lead them to believe that if they correct the deficiencies and violations they will eliminate the possibility of civil money penalties for past violations. That decision is left to the Treasury Department.



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(11-12-80)

Comments to the effect that violations appear to lack willfulness or criminality should not be included in the report. Conclusions such as this cannot always be supported without further investigation and should only be made by the Treasury Department. On the other hand, examiners should recommend civil money penalties where circumstances warrant. Recommendations for penalties must be supported by facts, not opinions.

NOTE: Whenever a bank has failed to file a required Currency Transaction Report pursuant to Section 103.22(a) of the Financial Recordkeeping and Reporting of Currency and Foreign Transactions Regulations, the bank should be directed to promptly file the report regardless of the time that may have elapsed since the transaction. However, if in the examiner's judgment, the customer for which the bank has failed to file a report could have been legitimately exempted under guidelines in effect on the date of the transaction, it may only be necessary to ask the bank to amend its list of exempt customers.

NOTE: If repeat violations of the regulations are noted, the report should include a brief explanation of the seriousness of and reasons for continued noncompliance. For example, if random, isolated violations resulted from minor deficiencies in the bank's procedures, procedural changes should be recommended to insure future compliance. However, where there appears to be a pattern or practice resulting in numerous exceptions where these exceptions are not sufficiently explained and may reflect willful or negligent disregard for the regulations, consideration should be given to the inclusion of a recommendation for civil money penalties in the report.

#### REPORTING OF INTERNATIONAL TRANSPORTATION OF CURRENCY OR MONETARY INSTRUMENTS

Through observation or interview, the examiner should determine whether the bank has engaged in any transactions covered by Section 103.23 of the regulations. If so, the examiner should review copies of Form 4790 (Report of International Transportation of Currency or Monetary Instruments) filed by the bank since the last examination.

Section  
103.23

NOTE: A bank is not required to file a Form 4790 if it receives currency or monetary instruments over the counter from a person who may have transported same into the United States, or if the bank delivers currency or monetary instruments over the counter to a person who may transport same out of the United States. The bank is not expected to inquire of the customer whether the funds have been brought into or will be taken out of the country. However, if a bank officer or a responsible employee of the bank knows that a complete and truthful report has not been filed by its customer, it must file a Form 4790. This is not a matter of judgment but of personal knowledge.

Reports (Form 4790) should be reviewed for completeness and accuracy. Relevant bank records should be reviewed to insure that reports have been filed for all applicable transactions.

NOTE: A check payable to a named person is not a monetary instrument for the purpose of the Regulations unless it has been endorsed and is in bearer form at the time it is transported across the border.

#### RECORDKEEPING REQUIREMENTS

A copy of the bank's records retention schedule should be reviewed to determine whether it meets at least the minimum requirements of Sections 103.33 and 103.34 of the regulations. Some of the items could be spot-checked to see if the schedule is being followed.

NOTE: Many banks use remote storage facilities for storage of records. The companies which provide these services generally maintain record retention schedules, and a copy should be available in the bank.

#### PURPOSE OF LOANS

Section  
103.33(a)

A random sample of loans over \$5,000, not secured by an interest in real property made since the last examination, should be reviewed for the following information:

- Name and address of the borrower;
- Amount of the loan;
- Date of the loan; and
- The nature or purpose of the loan.

#### NEW DEPOSIT ACCOUNTS

The bank's procedures for opening new deposit accounts should be reviewed for the following:

- Attempts to obtain a taxpayer identification number.
- Procedures followed if a taxpayer identification number is not obtained and documentation of efforts to obtain the number. (Should be at least one written follow-up).
- Storage of signature cards for both current and closed accounts.
- Storage and retention of bank records including:
  1. Statements;
  2. Ledger cards (if applicable);
  3. Other deposit account records such as checks, deposit slips, debit or credit slips, etc.

The examiner should ascertain whether or not the bank has sufficient records to reconstruct demand deposit accounts for the past two years in a reasonable period of time (generally two weeks).

Legal  
Memorandum  
8-24-78

The examiner should obtain the bank's list of customers from whom it has been unable to obtain taxpayer identification numbers. If the list appears unusually long, the examiner should try to determine the reason and discuss with bank management. Remember that the Regulation covers all deposit accounts, not just savings and time deposits.

**NOTE:** The Regulations do not specifically require the bank to maintain a current, up-to-date list but that it be able to obtain one in a reasonable period of time (generally two weeks). If the list is not available, the examiner should determine whether or not such a list can be generated from computer coded or manually flagged information. An item by item search of the files is not acceptable.

#### COMPLETION OF THE COMPLIANCE REPORT

FDIC Form 6500/54 is designed in a such manner that an affirmative answer will reflect compliance, a negative answer indicates a deficiency or violation of the regulations. In scheduling apparent violations, it is not necessary to quote the regulation verbatim; however, the apparent violation should be clearly identified and several examples should be listed in the report. All apparent violations should be presented on FDIC Form 6500/58 under an appropriate heading.

FDIC Form 6601/23 should be appropriately headed and used to summarize, in narrative form, the procedures used by the bank to insure compliance with the Regulations as well as the steps used by the examiner to determine the banks level of compliance.

The suggested format for presenting the information is as follows:

- Describe the bank's training program and communication system used to insure that all tellers and other relevant personnel are made aware and periodically reminded of the requirements of the Regulation.
- Describe the internal audit function. Indicate whether or not audit procedures cover:
  1. Periodic spot checks of deposit, cash, or withdrawal tickets or comparable documents in use at the bank;
  2. periodic verification that a record of exemption is maintained and that exemptions are reasonable and up-to-date; and
  3. periodic review of cash control records and tracing of any apparently large or unusual cash movements to or from a department or branch.
- Indicate whether procedures are adequate to insure that all covered transactions are properly reported; and
- Indicate the scope of the examination and the extent of any reviews conducted by the examiner.



The examiner should comment on any inadequacies detected in the bank's system for insuring compliance.

The examiner's comments should, if applicable, include the following:

- the apparent reasons for any violations;
- promises to correct violations and for future compliance made by management;
- a reference to any similar violations at previous examinations; and
- an estimate of the extent of noncompliance.

Violations of the regulations should be promptly brought to the attention of the bank's management and correction of the violations should be sought. Where the examiner is unable to obtain a commitment for compliance; or where flagrant violations of the currency transaction reporting requirements have occurred, the examiner should immediately report the matter to his supervisor.

Currency Transaction Reports provide a vital source of information to the law enforcement authorities and close attention to this matter is essential.

#### TRANSMITTAL LETTER

Major deficiencies or noncompliance with the Treasury regulations should be commented on in the transmittal letter. In all cases where noncompliance is discovered but not corrected during the examination, the transmittal letter should request a response to the Regional Director by the bank's Board of Directors regarding any remedial action taken or to be taken by management. The staff of the Regional Office is responsible for insuring that effective follow-up procedures are pursued in all cases where noncompliance is indicated.

#### WILLFUL OR DELIBERATE NONCOMPLIANCE

In cases of willful or deliberate violations of Treasury regulations or whenever the bank appears to be deliberately or willfully disregarding regulatory provisions in an attempt to conceal or abet the violations of some other law or regulation or to conceal a customer's transaction, the examiner should prepare a letter report to the Director, Division of Bank Supervision, Washington, D.C. 20429.

NOTE: It is important to be able to distinguish between willful and deliberate violations resulting from a total disregard for the regulations and willful and deliberate violations in furtherance of the commission of violations of federal law or as part of a pattern of illegal activity. Noncompliance due to disregard for the regulations would likely trigger civil penalties whereas noncompliance contributing to the furtherance of the

commission of violations of federal law or as part of a pattern of illegal activity may call for criminal penalties.

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The letter report to the Director should accompany the pencil copy of the report to the Regional Office and should cite the particular circumstances supporting willful or deliberate violations, the specific regulations violated, and include precise examples of violations. Comments and conclusions of the Regional Office should accompany such letter reports to the Washington Office and include recommendations to the Treasury Department for assessment of civil money penalties pursuant to Section 207 of the Currency and Foreign Transactions Reporting Act.

<b>FEDERAL DEPOSIT INSURANCE CORPORATION</b> <b>FINANCIAL RECORDKEEPING AND REPORTING OF CURRENCY</b> <b>AND FOREIGN TRANSACTIONS</b>		EXAM	NUMBER
		NO. OF OFFICES	TOTAL ASSETS
NAME (If BANK)		EXAMINER'S NAME	DATE
CITY	COUNTY	STATE	

The Department of the Treasury issued Regulations (Part 103, Title 31 CFR) effective July 1, 1972, in implementation of Titles I and II of Public Law 91-508. The Regulations as revised require banks to:

1. Report to the Customs authorities shipments to or from a point outside the United States of currency or monetary instruments in amounts in excess of \$5,000, except for shipments through the postal service or by common carrier.
2. Retain for five years records of all transfers into or out of the United States involving more than \$10,000.
3. Retain for five years certain other records which will be useful for law enforcement purposes.
4. Retain for two years certain other bank records relating to demand deposit accounts.
5. Secure a social security or taxpayer identification number with respect to each account opened after June 30, 1972, or maintain a list of those customers who failed to provide a number, and
6. Report to the IRS currency transactions of more than \$10,000, unless exempted.
7. Maintain in a central file required records of exemptions granted certain qualifying deposit accounts.

Under certain circumstances, the Regulations provide civil and criminal penalties for the failure to maintain the required records or to file the required reports. The penalties become more severe when the Regulations are violated in furtherance of certain Federal crimes.

The examiner should determine: 1) that the bank has established an adequate system for identifying currency transactions and for insuring that they are properly reported; and 2) that the employees who normally come into contact with the covered transactions are properly instructed as to their responsibility with respect to the system. Indiscrepancies in either of these two areas should be directed to the attention of management.

The following questions are designed to ascertain compliance with the Regulations. The examiner should complete the questions based on information obtained as a result of personal verification of records and reports, as well as observations and statements made by bank management.

#### REPORTS REQUIRED TO BE FILED

- (a) Except for shipments made through the postal service, or by common carrier, and certain shipments involving established depositors, does the bank file a Report of International Transportation of Currency or Monetary Instrument (Form 4790) whenever it ships to or receives from a point outside the United States currency or other monetary instruments, on any one occasion, in an aggregate amount exceeding \$5,000? (§103.23)
- (b) Does the bank file a Currency Transaction Report (Form 4789) of each deposit, withdrawal, exchange of currency or other transfer by, through or to this bank which involves a transaction in currency, not exempted, of more than \$10,000 in accordance with the regulations? (§103.22)
- (c) Does the bank maintain a list of those customers whose transactions have been exempted from the requirements of section 103.22?

#### GENERAL RECORDKEEPING REQUIREMENTS\*

2. Does the bank retain a record of each extension of credit over \$5,000 except those secured by an interest in real property? (§103.33)
3. Does such record contain the name and address of the borrower, the amount, the nature and purpose of the loan and the date thereof? (§103.33)
4. (a) Does the bank attempt to obtain a taxpayer identification number for all new accounts? (§103.34)
- (b) With respect to Certificates of Deposit (issued or redeemed), does the bank maintain a record of the date of transaction and a description of the instrument as well as the customer's name, address, and taxpayer identification number, also, when Certificates of Deposit are issued, the method of payment? (§103.34)
- (c) Does it keep a list of those customers from whom it has been unable to obtain a number after making a reasonable effort? (§103.34)
5. Does the bank with respect to each deposit account retain the original or a copy of the following: (§103.34)
  - (a) Each document granting signature authority over such accounts? (Signature cards should be retained for five years after accounts are closed.)
  - (b) Each statement, register card or other record on each account, showing each transaction with respect to that account?
  - (c) Each item over \$100 charged to deposit accounts, unless exempted by the Regulations?
6. Does the bank retain for two years certain other bank records relating to demand deposit accounts sufficient to reconstruct a demand deposit account and trace a check in excess of \$100 deposited in such account through its domestic processing system or to supply a description of a deposited check? (§103.34)
7. Are required records accessible within a reasonable period of time? (§103.38)

#### SPECIAL REQUIREMENTS FOR FOREIGN TRANSACTIONS\*

8. Does the bank retain a record of each instruction it gives or receives regarding a remittance or transfer of funds, currency, etc., of more than \$10,000 sent outside the United States? (§103.33)
9. Does the bank retain a copy of each item, including checks, drafts, or transfer of credit, of more than \$10,000 remitted or transferred outside the United States? (§103.34)
10. Does the bank retain a record (letter of transmittal, cash letter or application for a draft or transfer, etc.) of each remittance or transfer of funds, or of currency or other monetary instruments, checks, securities, or credit, of more than \$10,000 to a person, account or place outside the United States? A complete description is required. In certain instances, the records retained to satisfy the requirements referred to in items 9 and 10 above will also satisfy this requirement. (§103.34)
11. Does the bank retain a record of each check or draft in an amount in excess of \$10,000 drawn on or issued by a foreign bank which the domestic bank has paid or presented to a non-bank drawee for payment? (§103.34)
12. Does the bank retain a copy of each item, including checks, drafts or transfer of credit, of more than \$10,000, received directly, and not through a domestic financial institution, from a bank, broker, or dealer in foreign exchange outside the United States? (§103.34)
13. Does the bank retain a record (letter of transmittal, cash letter, etc.) of each receipt of currency, checks, etc., and transfer of funds of more than \$10,000 received from a bank, broker or dealer in foreign exchange from outside the United States? (§103.34)
14. Does the bank, with respect to each account in a foreign country over which it has signature authority or in which it has financial interest retain records which show: (§103.24)
  - (a) the name in which the account is maintained;
  - (b) the number or other designation of the account;
  - (c) the name and address of the foreign bank or other person with whom the account is maintained;
  - (d) the type of account; and
  - (e) the maximum value of the account during the reporting period?
15. Does the bank, with respect to each account in a foreign country over which it has signature authority or in which it has a financial interest report such relationship in accordance with the regulations? (§103.24)

\*Unless otherwise indicated, the specified records that are created after June 30, 1972 must be retained for five years. (§103.38)

Bank Official(s) Providing Information to Examiner \_\_\_\_\_ Examiner \_\_\_\_\_

The examiner should provide all details of apparent violations necessary for reporting to the Department of the Treasury.

FDIC 8500/54 (2-81)

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Foreign Banks

STATE: CALIFORNIA(06)

FOCUS-BANK LIST

PAGE - 1

CERT	CITY	NAME OF BANK	COUNTY	IBA	MFG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
50029-1	BEVERLY HILLS	Bank Leumi Le-Israel B.M. (Branch)	LOS ANG	Y		01	14	12	13	4480	0	3378	192,863
50028-3	LOS ANGELES	Bank Hapoalim B.M. (Branch)	LOS ANG	Y		01	14	12	13	4480	0	5081	234,856
50030-5	LOS ANGELES	United Mizrahi Bank Ltd. (Branch)	LOS ANG	Y		01	14	12	13	4480	0	2771	59,461

CL = CLASS

FD = FDIC Region

FR = Federal Reserve District

CC = Controller of Currency District

SMSA = Standard Metropolitan Statistical Area (for ex. W.D.C. area)

NM = Not Member

SM = State Member

N = National Bank

NI = Mutually Insured Banks (Owned by depositors)

NI = Not Insured

MN = Mutual Not Insured (ex. Mass has State Insurance)

OI = Other Insured - Foreign

IBA = International Banking Act: Allows Foreign Banks to have branches in U.S. and may be insured by FDIC.  
Inactive

ACTIVE NM SM N MI NI MN OI IBA (INACT)  
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STATE: CALIFORNIA(06)

(BEVERLY HILLS -- LOS ANGELES)

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III-42

STATE ILLINOIS(17)

## FOCUS-BANK LIST

PAGE - 2

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
50006-2	CHICAGO	Bank Hapoalim B M (Branch)	COOK	Y		01	9	7	7	1600	0	5081	82,608
50008-9	CHICAGO	Bank Leumi Le-Israel B M (Branch)	COOK	Y		01	9	7	7	1600	0	3378	103,351
50032-1	CHICAGO	Dai-Ichi Kangyo Bank, Ltd (Branch)	COOK	Y	Y	01	9	7	7	1600	0	188	433,441
50015-1	CHICAGO	Korea Exchange Bank (Branch)	COOK	Y		01	9	7	7	1600	0	2027	83,380
50016-0	CHICAGO	Korea First Bank (Branch)	COOK	Y		01	9	7	7	1600	0	5106	55,967
50000-3	CHICAGO	National Bank of Greece, S A (Branch)	COOK	Y		01	9	7	7	1600	0	359	38,267
50025-9	CHICAGO	National Bank of Pakistan (Branch)	COOK	Y		01	9	7	7	1600	0	5117	3,841
50014-3	CHICAGO	Standard Chartered Bank Limited (Branch)	COOK	Y		01	9	7	7	1600	0	1983	108,304
50020-8	CHICAGO	State Bank of India (Branch)	COOK	Y		01	9	7	7	1600	0	5075	21,235

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STATE: ILLINOIS(17)

(CHICAGO -- CHICAGO)

100

STATE MASSACHUSETTS(25)

## FOCUS-BANK LIST

PAGE - 3

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	RUN DATE 83-08-02		ASSETS
											#BRS	BHC	
50002-0	BOSTON	Bank Hapoalim B M (Branch)	SUFFOLK		01	1	1	1	1	1120	0	5081	88,240
50001-1	BOSTON	National Bank of Greece, S A (Branch)	SUFFOLK		01	1	1	1	1	1120	0	359	26,626

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ACTIVE	NM	SM	N	M1	N1	MN	01	IBA	(INACT)
0	0	0	0	0	0	0	2	2	0

STATE MASSACHUSETTS(25)

(BOSTON -- BOSTON)

101

STATE NEW YORK(36)

## FOCUS-BANK LIST

PAGE - 4

CERT	CITY	NAME OF BANK	COUNTY	IBA	MFG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90005-4	MELVILLE	Bank Hapoalim B M (Branch)	SUFFOLK	Y	01	2	2	2	2	5380	0	5081	0
50010-1	NEW YORK CITY	Allied Irish Banks Limited (Branch)	NEW YOR	Y	01	2	2	2	2	5600	0	5079	133,707
50033-0	NEW YORK CITY	Banco de Bilbao (Branch)	NEW YOR	Y	01	2	2	2	2	5600	0	5134	538,389
50027-5	NEW YORK CITY	Banco Safra, S A (Branch)	NEW YOR	Y	01	2	2	2	2	5600	0	5029	208,625
50022-4	NEW YORK CITY	Bank of Baroda (Branch)	NEW YOR	Y	01	2	2	2	2	5600	0	5073	12,482
50031-3	NEW YORK CITY	Bank of China (Branch)	NEW YOR	Y	01	2	2	2	2	5600	0	0	315,076
50021-6	NEW YORK CITY	Bank of India (Branch)	NEW YOR	Y	01	2	2	2	2	5600	0	5074	43,252
50003-8	NEW YORK CITY	Bank Hapoalim B M. (Branch)	NEW YOR	Y	01	2	2	2	2	5600	0	5081	569,553
50004-6	NEW YORK CITY	Bank Hapoalim B M. (Branch)	QUEENS	Y	01	2	2	2	2	5600	0	5081	0
50035-6	NEW YORK CITY	Korea Exchange Bank	NEW YOR	Y	01	2	2	2	2	5600	0	0	0
50026-7	NEW YORK CITY	National Bank of Pakistan (Branch)	NEW YOR	Y	01	2	2	2	2	5600	0	5117	0
50018-6	NEW YORK CITY	State Bank of India (Branch)	NEW YOR	Y	01	2	2	2	2	5600	0	5075	88,208
50019-4	NEW YORK CITY	State Bank of India (Branch)	QUEENS	Y	01	2	2	2	2	5600	0	5075	0
50011-9	NEW YORK CITY	The Governor and Company of the Bank of i	NEW YOR	Y	01	2	2	2	2	5600	0	5080	170,613
50023-2	NEW YORK CITY	The Hongkong and Shanghai Banking Corpora	NEW YOR	Y	01	2	2	2	2	5600	0	2946	601,515
50024-1	NEW YORK CITY	The Hongkong and Shanghai Banking Corpora	NEW YOR	Y	01	2	2	2	2	5600	0	2946	0
50034-8	NEW YORK CITY	The Hongkong and Shanghai Banking Corpora	QUEENS	Y	01	2	2	2	2	5600	0	0	0

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STATE: NEW YORK(36)

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(MELVILLE -- NEW YORK CITY)



STATE PENNSYLVANIA(42)

## FOCUS-BANK LIST

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RUN DATE: 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRO	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
50007-1	PHILADELPHIA	Bank Hapoalim B M (Branch)	PHILADE	Y		01	3	3	2	6160	0	5081	147,333
50009-7	PHILADELPHIA	Bank Leumi Le-Israel B M (Branch)	PHILADE	Y		01	3	3	2	6160	0	3378	99,500

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ACTIVE	NM	SM	N	MI	NI	MN	OI	IBA	(INACT)
0	0	0	0	0	0	0	2	2	0

STATE PENNSYLVANIA(42)

(PHILADELPHIA -- PHILADELPHIA)

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TOTAL ACTIVE NM	SM	N	MI	NI	MN	OT	ISA	(INACT)
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# Non Insured State Banks

ST. ARIZONA(04)

FOCUS

LIST

GE - 1

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90995-5	PHOENIX	Bank of Boston Trust Company of Arizona	MARICOP		NI	14	12	12		6200	1	321	1,768
91047-3	PHOENIX	First Trust Company of Arizona	MARICOP		NI	14	12	12		6200	0	16	794
91000-7	PHOENIX	Marshall & Ilsley Trust Company of Arizon	MARICOP		NI	14	12	12		6200	0	48	1,032
90620-4	PHOENIX	The Northern Trust Company of Arizona	MARICOP		NI	14	12	12		6200	0	177	1,939
90993-9	SCOTTSDALE	First Chicago Trust Company of Arizona	MARICOP		NI	14	12	12		6200	0	952	1,015
90994-7	SCOTTSDALE	Harris Trust Company of Arizona	MARICOP		NI	14	12	12		6200	0	210	0
90890-8	SCOTTSDALE	Norwest Capital Management & Trust Co., A	MARICOP		NI	14	12	12		6200	0	17	1,521
90529-1	TUCSON	Arizona Trust Company	PIMA		NI	14	12	12		8520	0	0	0
91004-0	TUCSON	Bar T. Bar Fiduciary Holding Company	PIMA		NI	14	12	12		8520	0	565	0
90535-6	TUCSON	Lawyers Title of Arizona	PIMA		NI	14	12	12		8520	0	0	5,404
90533-0	TUCSON	U. S. Fiduciary Corporation	PIMA		NI	14	12	12		8520	0	0	0

RUN DATE: 83-08-02

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(INACT)  
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STATE: ARIZONA(04)

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(PHOENIX -- TUCSON)

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STATE: ARKANSAS(05)

## FOCUS-BANK LIST

PAGE - 2

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90001-0	LITTLE ROCK	Jones Investment & Trust Company	PHILLIP				NI	7	8	8	0	0	11,878
90546-1	NORTH LITTLE ROCK	Metropolitan Trust Company	PULASKI				NI	7	8	8	4400	0	584

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STATE: ARKANSAS(05)

(LITTLE ROCK -- NORTH LITTLE RO)

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	RUN DATE: 83-08-02			
											#BRS	BHC	ASSETS	
91224-7	BEVERLY HILLS	Israel Discount Bank Ltd (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	0	24,207
90004-4	LONG BEACH	Farmers and Merchants Trust Company	LOS ANG				NI	14	12	13	4480	1	0	5,596
90659-0	LOS ANGELES	Ahmanson Trust Company	LOS ANG				NI	14	12	13	4480	1	0	4,843
90733-2	LOS ANGELES	Algemene Bank Nederland (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	3105	63,323
90734-1	LOS ANGELES	Australia and New Zealand Banking Group (	LOS ANG	Y			NI	14	12	13	4480	0	5010	301,554
90735-9	LOS ANGELES	Banca Commerciale Italiana (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5082	180,234
90920-3	LOS ANGELES	Banca Nazionale del Lavoro (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5084	185,291
90750-2	LOS ANGELES	Banca Serfin S.A. (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5108	185,642
90875-4	LOS ANGELES	Banco de la Provincia de Buenos Aires (Ag	LOS ANG	Y			NI	14	12	13	4480	0	5004	221,317
90736-7	LOS ANGELES	Banco do Brasil (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5019	609,921
90737-5	LOS ANGELES	Banco do Estado de Sao Paulo (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5023	139,191
91179-8	LOS ANGELES	Banco Exterior de Espana, S.A. (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	0	65,917
90738-3	LOS ANGELES	Banco Nacional de Mexico (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	2801	97,330
90739-1	LOS ANGELES	Banco Real (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5028	43,989
90740-5	LOS ANGELES	Bancomer S.A. (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5109	206,335
90741-3	LOS ANGELES	Bangkok Bank Ltd. (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5148	51,220
91261-1	LOS ANGELES	Bank of Credit and Commerce International	LOS ANG	Y			NI	14	12	13	4480	0	0	0
90744-8	LOS ANGELES	Bank of Seoul Korea Trust (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5102	142,746
90742-1	LOS ANGELES	Bank of Tokyo Ltd. (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	44	817,820
91025-2	LOS ANGELES	Bank Bumiputra Malaysia Berhad (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5107	79,746
91217-4	LOS ANGELES	Bank Leumi Le-Israel B.M. (Branch)	LOS ANG	Y			NI	14	12	13	4480	0	0	0
91181-0	LOS ANGELES	Banque Indosuez (Branch)	LOS ANG	Y			NI	14	12	13	4480	0	0	6,443
90782-1	LOS ANGELES	Banque Nationale de Paris (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	250	109,488
90866-5	LOS ANGELES	Banque Paribas (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5051	349,190
90767-7	LOS ANGELES	Bayerische Vereinsbank AG (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5065	192,471
90948-3	LOS ANGELES	Canadian Commercial and Industrial Bank (	LOS ANG	Y			NI	14	12	13	4480	0	4502	351,748
90490-2	LOS ANGELES	Capital Guardian Trust Company	LOS ANG				NI	14	12	13	4480	1	0	7,749
90850-9	LOS ANGELES	Commercial Bank of Korea (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5104	140,649
91091-1	LOS ANGELES	Commonwealth Trading Bank of Australia (A	LOS ANG	Y			NI	14	12	13	4480	0	5014	109,212
90745-6	LOS ANGELES	Credit Lyonnais (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5055	378,087
91165-8	LOS ANGELES	Credit Suisse (Branch)	LOS ANG	Y			NI	14	12	13	4480	0	5141	229,333
90746-4	LOS ANGELES	Credito Italiano (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5087	188,687
90747-2	LOS ANGELES	Dai-Ichi Kangyo Bank (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	188	2,042,069
90748-1	LOS ANGELES	Daiwa Bank Ltd. (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	2520	623,607
91213-1	LOS ANGELES	Development Bank of Singapore, Ltd. (Agen	LOS ANG	Y			NI	14	12	13	4480	0	0	12,501
90749-9	LOS ANGELES	Dresdner Bank (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5063	121,128
90878-9	LOS ANGELES	DG Bank Deutsche Genossenschafts Bank (Ag	LOS ANG	Y			NI	14	12	13	4480	0	5062	217,887
91236-1	LOS ANGELES	Fiduciary Trust Company of California	LOS ANG				NI	14	12	13	4480	0	0	0
90751-1	LOS ANGELES	Fuji Bank Ltd. (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	2132	2,071,919
90851-7	LOS ANGELES	Hanil Bank Ltd. (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5105	175,575
90752-9	LOS ANGELES	Hokkaido Takushoku Bank Ltd. (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5091	174,372
90630-1	LOS ANGELES	Imperial Trust Company	LOS ANG				NI	14	12	13	4480	0	180	1,309
90753-7	LOS ANGELES	Industrial Bank of Japan (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	2136	1,457,168
91153-4	LOS ANGELES	International Bank of Singapore, Ltd. (Ag	LOS ANG	Y			NI	14	12	13	4480	0	0	31,716
91226-3	LOS ANGELES	Istituto Bancario San Paolo di Torino (Br	LOS ANG	Y			NI	14	12	13	4480	0	0	79,914
90754-5	LOS ANGELES	Korea Exchange Bank (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	2027	184,010
90755-3	LOS ANGELES	Korea First Bank (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5106	264,696
90756-1	LOS ANGELES	Kyowa Bank (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	2821	390,382
91265-4	LOS ANGELES	Lloyds Bank International Limited(Branch)	LOS ANG	Y			NI	14	12	13	4480	0	0	0
90757-0	LOS ANGELES	Long-Term Credit Bank of Japan (Agency)	LOS ANG	Y			NI	14	12	13	4480	0	5093	674,070

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STATE CALIFORNIA(06)

## FOCUS BANK LIST

PAGE 4

FOCUS BANK LIST											RUN DATE 83 08-02		ASSETS
CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	RHC	
90759-6	LOS ANGELES	Mitsubishi Bank Ltd (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	201	2,477,370
90760-0	LOS ANGELES	Mitsui Bank Ltd (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	2097	775,033
91241-7	LOS ANGELES	Mitsui Trust & Banking Co., Ltd (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	0	0
91054-6	LOS ANGELES	Multibanco Comermex S A (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	5110	145,130
90761-8	LOS ANGELES	National Commercial Banking Corporation o	LOS ANG	Y		NI	14	12	13	4480	0	5015	130,247
91133-0	LOS ANGELES	Overseas Union Bank, Ltd (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	5125	33,865
90944-1	LOS ANGELES	Philippine Commercial International Bank	LOS ANG	Y		NI	14	12	13	4480	0	5119	17,605
91267-1	LOS ANGELES	Philippine National Bank (Branch)	LOS ANG	Y		NI	14	12	13	4480	0	0	0
90762-6	LOS ANGELES	Saitama Bank Ltd (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	5097	786,645
91137-2	LOS ANGELES	Scandinavian Bank Limited (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	0	70,383
90006-1	LOS ANGELES	Security Title Insurance Company	LOS ANG			NI	14	12	13	4480	2	0	825
91192-5	LOS ANGELES	Societe Generale (Branch)	LOS ANG	Y		NI	14	12	13	4480	0	0	55,481
90763-4	LOS ANGELES	State Bank of India (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	5075	61,454
90989-1	LOS ANGELES	Sumitomo Trust & Banking Company, Limited	LOS ANG	Y		NI	14	12	13	4480	0	5098	690,558
90765-1	LOS ANGELES	Taiyo Kobe Bank Ltd (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	5099	224,300
91068-6	LOS ANGELES	Thai Farmers Bank, Ltd (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	5151	39,404
91002-3	LOS ANGELES	The Bank of New Zealand (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	5111	21,999
90860-6	LOS ANGELES	The Hongkong and Shanghai Banking Corpora	LOS ANG	Y		NI	14	12	13	4480	0	2946	43,956
91157-7	LOS ANGELES	The Kah Wah Bank, Limited (Branch)	LOS ANG	Y		NI	14	12	13	4480	0	0	9,231
90963-7	LOS ANGELES	The Mitsubishi Trust and Banking Corporat	LOS ANG	Y		NI	14	12	13	4480	0	5095	1,858,293
90959-9	LOS ANGELES	The Nippon Credit Bank, Ltd. (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	5096	817,814
91185-2	LOS ANGELES	The Siam Commercial Bank, Limited (Branch	LOS ANG	Y		NI	14	12	13	4480	0	0	15,571
90766-9	LOS ANGELES	Tokai Bank Ltd. (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	1917	1,308,143
91042-2	LOS ANGELES	Toyo Trust & Banking Company, Ltd. (Agenc	LOS ANG	Y		NI	14	12	13	4480	0	5100	470,647
90505-4	LOS ANGELES	Trust Company of the West	LOS ANG			NI	14	12	13	4480	0	0	0
91237-9	LOS ANGELES	Trust Services of America, Inc.	LOS ANG		Y	NI	14	12	13	4480	4	0	0
90768-5	LOS ANGELES	Union Bank of Switzerland (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	5143	193,884
91012-1	LOS ANGELES	United Overseas Bank Limited (Agency)	LOS ANG	Y		NI	14	12	13	4480	0	5126	25,016
91031-7	LOS ANGELES	Yasuda Trust & Banking Company, Ltd. (Age	LOS ANG	Y		NI	14	12	13	4480	0	5101	1,424,038
90627-1	NEWPORT BEACH	Deseret Trust Company	ORANGE			NI	14	12	13	360	0	0	0
90625-5	SACRAMENTO	First Independent Trust Company	SACRAME			NI	14	12	13	6920	0	0	0
90705-7	SAN DIEGO	Home Fed Trust	SAN DIE			NI	14	12	13	7320	0	0	0
90852-5	SAN FRANCISCO	Algemene Bank (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	3105	67,044
90874-6	SAN FRANCISCO	Banco de la Nacion Argentina (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5003	215,232
90769-3	SAN FRANCISCO	Banco de Vizcaya (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5135	55,048
90770-7	SAN FRANCISCO	Banco di Roma (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	416	594,227
90771-5	SAN FRANCISCO	Banco do Brasil (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5019	834,864
90903-3	SAN FRANCISCO	Banco do Estado de Sao Paulo S.A. (Agency	SAN FRA	Y		NI	14	12	13	7360	0	5023	120,362
91077-5	SAN FRANCISCO	Banco Central SA (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	2632	372,797
91262-0	SAN FRANCISCO	Banco Totta & Acores (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	0	0
91065-1	SAN FRANCISCO	Bangkok Metropolitan Bank, Ltd. (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5149	80,517
90773-1	SAN FRANCISCO	Bank of British Columbia (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5032	125,947
90774-0	SAN FRANCISCO	Bank of India (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5074	56,863
90775-8	SAN FRANCISCO	Bank of Montreal (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	42	1,869,087
90776-6	SAN FRANCISCO	Bank of Nova Scotia (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	2247	1,140,913
90777-4	SAN FRANCISCO	Bank of Tokyo Ltd. (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	44	2,494,437
90772-3	SAN FRANCISCO	Bank Mellat Iran (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5076	8,165
91092-9	SAN FRANCISCO	Banque Francaise du Commerce Extérieur (A	SAN FRA	Y		NI	14	12	13	7360	0	5041	6,732
90778-2	SAN FRANCISCO	Banque Nationale de Paris (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	250	592,331
90779-1	SAN FRANCISCO	Barclays Bank International (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	70	384,874

CERT	CITY	NAME OF BANK	COUNTY	IBA	MFG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90780-4	SAN FRANCISCO	Canadian Imperial Bank of Commerce (Agenc	SAN FRA	Y		NI	14	12	13	7360	0	43	504,620
90781-2	SAN FRANCISCO	Chartered Bank of London (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	0	30,812
91003-1	SAN FRANCISCO	Chekiang First Bank, Limited (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5067	53,520
90853-3	SAN FRANCISCO	Cho-Heung Bank Ltd. (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5103	238,487
90862-2	SAN FRANCISCO	Credit Lyonnais (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5055	44,559
91061-9	SAN FRANCISCO	Dah Sing Bank, Limited (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5068	23,096
91107-1	SAN FRANCISCO	Hong Kong Metropolitan Bank Limited (Agen	SAN FRA	Y		NI	14	12	13	7360	0	0	22,158
90783-9	SAN FRANCISCO	Hongkong and Shanghai Bank (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	2946	206,162
90784-7	SAN FRANCISCO	Liu Chong Hing Bank (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5069	77,388
91266-2	SAN FRANCISCO	Lloyds Bank International Limited (Branch	SAN FRA	Y		NI	14	12	13	7360	0	0	0
90923-8	SAN FRANCISCO	Metropolitan Bank and Trust Company (Agen	SAN FRA	Y		NI	14	12	13	7360	0	2615	10,363
91239-5	SAN FRANCISCO	Nanyang Commercial Bank, Limited (Branch)	SAN FRA	Y		NI	14	12	13	7360	0	0	6,464
90785-5	SAN FRANCISCO	National Westminster Bank Public Limited	SAN FRA	Y		NI	14	12	13	7360	0	3012	151,776
91040-6	SAN FRANCISCO	Overseas Trust Bank, Ltd. (Branch)	SAN FRA	Y		NI	14	12	13	7360	0	5070	44,752
90588-7	SAN FRANCISCO	Pacific Securities Depository Trust Compa	SAN FRA			NI	14	12	13	7360	0	0	1,568
90787-1	SAN FRANCISCO	Royal Bank of Canada (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	382	1,049,277
90902-5	SAN FRANCISCO	Royal Bank of Scotland PLC (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5155	53,913
90788-0	SAN FRANCISCO	Sanwa Bank Ltd. (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	192	3,624,406
90789-8	SAN FRANCISCO	Shanghai Commercial Bank Ltd. (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5072	120,016
90790-1	SAN FRANCISCO	Sumitomo Bank Ltd. (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	1991	859,847
91240-9	SAN FRANCISCO	Swiss Bank Corporation (Branch)	SAN FRA	Y		NI	14	12	13	7360	0	0	532,280
90792-8	SAN FRANCISCO	Toronto Dominion Bank (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	2008	732,028
90621-2	SAN FRANCISCO	Western Financial Trust Company	SAN FRA		Y	NI	14	12	13	7360	0	0	409
90997-1	SAN FRANCISCO	Westpac Banking Corporation (Agency)	SAN FRA	Y		NI	14	12	13	7360	0	5011	26,620
91011-2	SAN JOSE	Pacific Trust Company	SANTA C			NI	14	12	13	7400	0	0	364
90549-6	SAN RAFAEL	Independent Bankers Trust Company	MARIN			NI	14	12	13	7360	1	478	856
90009-5	SANTA ANA	First American Trust Company	ORANGE			NI	14	12	13	360	1	0	0

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BUC	ASSETS
90633-6	ALAMOSA	Alamosa Industrial Bank	ALAMOSA		NI	13	10	12		0	0	0	2,181
90458-9	ARVADA	Arvada 1st Industrial Bank	JEFFERS		NI	13	10	12		2080	0	0	7,720
90885-1	ARVADA	Golden Rule Industrial Bank	JEFFERS		NI	13	10	12		2080	0	0	719
90524-1	ASPEN	Aspen Industrial Bank	PITKIN		NI	13	10	12		0	0	86	2,105
90958-1	AURORA	American Aurora Industrial Bank	ADAMS		NI	13	10	12		2080	0	0	541
91188-7	AURORA	Aurora U. S. Industrial Bank	ADAMS		NI	13	10	12		2080	0	0	3,846
90010-9	AURORA	Avco Aurora Industrial Bank	ADAMS		NI	13	10	12		2080	0	0	3,056
91171-2	AURORA	Citicorp Person-to-Person Aurora Industri	ARAPAHO		NI	13	10	12		2080	0	0	0
90960-2	AURORA	Household Aurora Industrial Bank	ADAMS		NI	13	10	12		2080	0	0	2,083
90882-7	AURORA	Postal Industrial Bank	ADAMS		NI	13	10	12		2080	0	0	11,963
91049-0	BERTHOUD	Berthoud Industrial Bank	LARIMER		NI	13	10	12		2670	0	0	1,232
90459-7	BLENDE	Valley Industrial Bank	PUEBLO		NI	13	10	12		6560	0	0	6,709
90525-9	BOULDER	Avco Boulder Industrial Bank	BOULDER		NI	13	10	12		2080	0	0	3,387
91235-2	BOULDER	Boulder U. S. Industrial Bank	BOULDER		NI	13	10	12		2080	0	0	0
91221-2	BOULDER	Citicorp Person-to-Person Boulder Industr	BOULDER		NI	13	10	12		2080	0	0	0
90011-7	BOULDER	Globe Industrial Bank	BOULDER		NI	13	10	12		2080	0	0	13,169
90714-6	BRIGHTON	Platte Valley Industrial Bank	ADAMS		NI	13	10	12		2080	0	2445	4,489
91128-3	BROOMFIELD	Broomfield Creditthrift Industrial Bank	BOULDER		NI	13	10	12		2080	0	0	0
91161-5	BROOMFIELD	Broomfield Savings Industrial Bank	JEFFERS		NI	13	10	12		2080	0	0	652
90013-3	BRUSH	Brush Industrial Bank	MORGAN		NI	13	10	12		0	0	0	1,468
90652-2	BURLINGTON	Burlington Industrial Bank	KIT CAR		NI	13	10	12		0	0	0	1,567
90602-6	CANON CITY	Canon City First Industrial Bank	FREMONT		NI	13	10	12		0	0	0	4,242
91020-1	CANON CITY	Keystone Canon Industrial Bank	FREMONT		NI	13	10	12		0	0	0	1,109
90582-8	CASTLE ROCK	Castle Rock Industrial Bank	DOUGLAS		NI	13	10	12		2080	0	0	2,592
91098-8	COLORADO SPRINGS	American Industrial Bank	EL PASO		NI	13	10	12		1720	0	0	11,485
90881-9	COLORADO SPRINGS	Avco Academy Industrial Bank	EL PASO		NI	13	10	12		1720	0	0	2,904
90571-2	COLORADO SPRINGS	Avco Colorado Springs Industrial Bank	EL PASO		NI	13	10	12		1720	0	0	2,808
90474-1	COLORADO SPRINGS	Avco East Colorado Springs Industrial Ban	EL PASO		NI	13	10	12		1720	0	0	2,472
91172-1	COLORADO SPRINGS	Citicorp Person-to-Person Colorado Spring	EL PASO		NI	13	10	12		1720	0	0	0
90014-1	COLORADO SPRINGS	Colorado Beneficial Industrial Bank	EL PASO		NI	13	10	12		1720	0	0	1,273
91125-9	COLORADO SPRINGS	Colorado Springs Security Pacific Industr	EL PASO		NI	13	10	12		1720	0	0	0
90666-2	COLORADO SPRINGS	Liberty Industrial Bank	EL PASO		NI	13	10	12		1720	0	0	3,376
90016-8	COLORADO SPRINGS	Rocky Mountain 1st Industrial Bank	EL PASO		NI	13	10	12		1720	0	0	15,034
90576-3	COLORADO SPRINGS	Springs Sunamerica Industrial Bank	EL PASO		NI	13	10	12		1720	0	373	2,167
90931-9	COLORADO SPRINGS	The El Paso County Industrial Bank	EL PASO		NI	13	10	12		1720	0	0	680
91088-1	COMMERCE CITY	Metropolitan State Industrial Bank	ADAMS		NI	13	10	12		2080	0	0	1,015
90017-6	CORTEZ	Basin Industrial Bank	MONTEZU		NI	13	10	12		0	0	0	2,218
90018-4	CRAIG	Avco Craig Industrial Bank	MOFFAT		NI	13	10	12		0	0	0	1,265
90725-1	DELTA	Delta Industrial Bank	DELTA		NI	13	10	12		0	0	0	724
90021-4	DENVER	Avco Colorado Industrial Bank	DENVER		NI	13	10	12		2080	0	0	4,526
90032-0	DENVER	Avco East Denver Industrial Bank	DENVER		NI	13	10	12		2080	0	0	1,175
90479-1	DENVER	Avco Industrial Bank	DENVER		NI	13	10	12		2080	0	0	1,485
91118-6	DENVER	Chase Manhattan Industrial Bank	DENVER		NI	13	10	12		2080	0	0	12,098
90025-7	DENVER	Chaves Industrial Bank	DENVER		NI	13	10	12		2080	0	0	3,477
91173-9	DENVER	Citicorp Person-to-Person Denver Industri	DENVER		NI	13	10	12		2080	0	0	0
90608-5	DENVER	Commercial Credit Industrial Bank	DENVER		NI	13	10	12		2080	0	0	29,416
91122-4	DENVER	Commercial Industrial Bank	DENVER		NI	13	10	12		2080	0	0	0
90023-1	DENVER	Continental Industrial Bank	DENVER		NI	13	10	12		2080	0	0	14,423
91124-1	DENVER	Creditthrift Industrial Bank	DENVER		NI	13	10	12		2080	0	0	0
90020-6	DENVER	Denver Sunamerica Industrial Bank	DENVER		NI	13	10	12		2080	0	373	1,294

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90955-6	DENVER	East Industrial Bank	DENVER			NI	13	10	12	2080	0	86	3,337
91021-0	DENVER	FinanceAmerica Industrial Bank	DENVER			NI	13	10	12	2080	0	0	2,604
90634-4	DENVER	First Cherry Creek Industrial Bank	DENVER			NI	13	10	12	2080	0	0	1,177
90656-5	DENVER	Foothill Industrial Bank	DENVER			NI	13	10	12	2080	0	0	5,216
90457-1	DENVER	Manufacturer Hanover Bank	DENVER			NI	13	10	12	2080	0	0	6,689
90026-5	DENVER	Merchants Industrial Bank	DENVER			NI	13	10	12	2080	0	357	12,108
90027-3	DENVER	Metropolitan Industrial Bank	DENVER			NI	13	10	12	2080	0	0	7,525
90603-4	DENVER	Northern 1st Industrial Bank	DENVER			NI	13	10	12	2080	0	0	4,707
90028-1	DENVER	Park Sunamerica Industrial Bank	DENVER			NI	13	10	12	2080	0	373	2,060
91191-7	DENVER	SeaFirst Industrial Bank	DENVER			NI	13	10	12	2080	0	0	0
91053-8	DENVER	SeaFirst University Hills Industrial Bank	DENVER			NI	13	10	12	2080	0	0	3,611
90029-0	DENVER	Security Industrial Bank	DENVER			NI	13	10	12	2080	0	0	3,265
91126-7	DENVER	Security Pacific Industrial Bank	DENVER			NI	13	10	12	2080	0	0	0
91082-1	DILLON	First Summit Industrial Bank	SUMMIT			NI	13	10	12	0	0	0	0
91187-9	DURANGO	Household Durango Industrial Bank	LA PLAT			NI	13	10	12	0	0	0	0
91048-1	EATON	Colorado Industrial Bank	WELD			NI	13	10	12	3060	0	0	0
90034-6	ENGLEWOOD	Avco Englewood Industrial Bank	ARAPAHO			NI	13	10	12	2080	0	0	2,543
91016-3	ENGLEWOOD	Avco Southeast Industrial Bank	ARAPAHO			NI	13	10	12	2080	0	0	1,792
91174-7	ENGLEWOOD	Citicorp Person-to-Person Englewood Indus	ARAPAHO			NI	13	10	12	2080	0	0	0
90961-1	ENGLEWOOD	Greenwood Industrial Bank	ARAPAHO			NI	13	10	12	2080	0	0	1,008
90573-9	ENGLEWOOD	South Continental Industrial Bank	ARAPAHO			NI	13	10	12	2080	0	0	8,209
90940-8	ESTES PARK	Estes Park Savings Industrial Bank	LARIMER			NI	13	10	12	2670	0	0	1,854
90635-2	EVERGREEN	Evergreen Industrial Bank	JEFFERS			NI	13	10	12	2080	0	0	3,691
90036-2	FORT COLLINS	Avco Fort Collins Industrial Bank	LARIMER			NI	13	10	12	2670	0	0	3,607
91130-5	FORT COLLINS	Fort Collins Colorado Industrial Bank	LARIMER			NI	13	10	12	2670	0	0	0
90636-1	FORT COLLINS	Fort Collins Person To Person Industrial	LARIMER			NI	13	10	12	2670	0	0	11,247
90685-9	FORT COLLINS	Fort Collins Sunamerica Industrial Bank	LARIMER			NI	13	10	12	2670	0	373	1,481
90527-5	FORT COLLINS	Fort Collins 1st Industrial Bank	LARIMER			NI	13	10	12	2670	0	0	19,167
90964-5	FORT LUPTON	Fort Lupton Industrial Bank	WELD			NI	13	10	12	3060	0	0	1,607
90584-4	FORT MORGAN	Morgan Industrial Bank	MORGAN			NI	13	10	12	0	0	0	2,362
90038-9	GLENWOOD SPRINGS	Glenwood Industrial Bank	GARFIEL			NI	13	10	12	0	0	0	3,327
90970-0	GLENWOOD SPRINGS	Keystone Garfield Industrial Bank	GARFIEL			NI	13	10	12	0	0	0	1,975
91075-9	GOLDEN	Citizens Applewood Industrial Bank	JEFFERS			NI	13	10	12	2080	0	0	2,798
90583-6	GOLDEN	Washington Industrial Bank	JEFFERS	Y		NI	13	10	12	2080	0	0	3,921
90039-7	GRAND JUNCTION	Avco Grand Junction Industrial Bank	MESA			NI	13	10	12	0	0	0	4,218
90939-4	GRAND JUNCTION	First Grand Junction Industrial Bank	MESA			NI	13	10	12	0	0	0	2,924
90600-0	GRAND JUNCTION	Grand Junction Commercial Credit Industri	MESA			NI	13	10	12	0	0	0	4,428
91212-3	GRAND JUNCTION	Grand Junction U.S. Industrial Bank	MESA			NI	13	10	12	0	0	0	1,288
90040-1	GRAND JUNCTION	Home Loan Industrial Bank	MESA			NI	13	10	12	0	0	0	4,026
90041-9	GREELEY	Greeley Industrial Bank	WELD			NI	13	10	12	3060	0	0	6,021
90700-6	GREELEY	Greeley Sunamerica Industrial Bank	WELD			NI	13	10	12	3060	0	373	939
90998-0	GREELEY	Hillside Industrial Bank	WELD			NI	13	10	12	3060	0	0	341
90581-0	GREELEY	Weld County Industrial Bank	WELD			NI	13	10	12	3060	0	0	3,883
90883-5	GUNNISON	Gunnison Industrial Bank	GUNNISO			NI	13	10	12	0	0	0	692
90713-8	LA JUNTA	Ark Valley Industrial Bank	OTERO			NI	13	10	12	0	0	0	6,618
91076-7	LAFAYETTE	Centaur Industrial Bank	BOULDER			NI	13	10	12	2080	0	0	1,098
90579-8	LAFAYETTE	Lafayette 1st Industrial Bank	BOULDER			NI	13	10	12	2080	0	0	928
90030-3	LAKEWOOD	Avco Lakewood Industrial Bank	JEFFERS			NI	13	10	12	2080	0	0	5,995
91121-6	LAKEWOOD	Beneficial Industrial Bank	JEFFERS			NI	13	10	12	2080	0	0	0
91175-5	LAKEWOOD	Citicorp Person-to-Person Lakewood Indust	JEFFERS			NI	13	10	12	2080	0	0	0

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	RUN DATE		ASSETS	
											#BRS	BHC		
90526-7	LAKEWOOD	Government Employees Industrial Bank	JEFFERS				NI	13	10	12	2080	0	0	68,312
90667-1	LAKEWOOD	Lakewood Beneficial Industrial Bank	JEFFERS				NI	13	10	12	2080	0	0	1,087
90616-6	LAKEWOOD	Lakewood 1st Industrial Bank	JEFFERS				NI	13	10	12	2080	0	0	4,492
91129-1	LAKEWOOD	Summit Industrial Bank	JEFFERS				NI	13	10	12	2080	0	0	0
90637-9	LAMAR	Lamar Industrial Bank	PROWERS				NI	13	10	12	0	0	0	1,826
90936-0	LEADVILLE	Mid-Continent Industrial Bank	LAKE				NI	13	10	12	0	0	0	1,168
91018-0	LIMON	Limon Industrial Bank	LINCOLN				NI	13	10	12	0	0	0	1,139
91154-2	LITTLETON	Arapahoe Industrial Bank	ARAPAHO				NI	13	10	12	2080	0	0	0
91243-3	LITTLETON	Beneficial Savings Industrial Bank	ARAPAHO				NI	13	10	12	2080	0	0	0
91005-8	LITTLETON	Citizens Industrial Bank	ARAPAHO				NI	13	10	12	2080	0	0	3,900
90043-5	LITTLETON	Littleton 1st Industrial Bank	ARAPAHO				NI	13	10	12	2080	0	0	11,905
90638-7	LITTLETON	Southglenn Continental Industrial Bank	ARAPAHO				NI	13	10	12	2080	0	0	14,972
90044-3	LONGMONT	Longmont Sunamerica Industrial Bank	BOULDER				NI	13	10	12	2080	0	0	5,440
90575-5	LONGMONT	Longmont 1st Industrial Bank	BOULDER				NI	13	10	12	2080	0	0	4,643
90724-3	LONGMONT	Surety Industrial Bank	BOULDER				NI	13	10	12	2080	0	0	1,623
91015-5	LOVELAND	Colorado Industrial Bank	LARIMER				NI	13	10	12	2670	0	0	590
90045-1	LOVELAND	Loveland 1st Industrial Bank	LARIMER				NI	13	10	12	2670	0	0	5,726
90604-2	LOVELAND	Savings Industrial Bank	LARIMER				NI	13	10	12	2670	0	0	5,417
91078-3	REEKER	Meeker Industrial Bank	RIO BLA				NI	13	10	12	0	0	0	0
90894-1	MONTE VISTA	Monte Vista Industrial Bank	RIO GRA				NI	13	10	12	0	0	0	768
91008-2	MONTRORSE	Montrose Industrial Bank	MONTROS				NI	13	10	12	0	0	0	313
90528-3	MONTRORSE	Mountain Industrial Bank	MONTROS				NI	13	10	12	0	0	0	3,346
91176-3	NORTHGLENN	Citicorp Person-to-Person Northglenn Indu	ADAMS				NI	13	10	12	2080	0	0	0
90653-1	NORTHGLENN	Northglenn Industrial Bank	ADAMS				NI	13	10	12	2080	0	86	5,096
90478-3	PAGOSA SPRINGS	First Pagosa Industrial Bank	ARCHULE				NI	13	10	12	0	0	0	2,248
91151-8	PARKER	Parker Industrial Bank	DOUGLAS				NI	13	10	12	2080	0	0	0
90574-7	PUEBLO	Avco Pueblo Industrial Bank	PUEBLO				NI	13	10	12	6560	0	0	3,038
91123-2	PUEBLO	Beneficial Industrial Bank	PUEBLO				NI	13	10	12	6560	0	0	0
91001-5	PUEBLO	Keystone Pueblo Industrial Bank	PUEBLO				NI	13	10	12	6560	0	0	638
90601-8	PUEBLO	Pueblo Commercial Credit Industrial Bank	PUEBLO				NI	13	10	12	6560	0	0	3,116
91079-1	PUEBLO	Pueblo 1st Industrial Bank	PUEBLO				NI	13	10	12	6560	0	0	1,906
90962-9	RIFLE	Rifle Industrial Bank	GARFIEL				NI	13	10	12	0	0	0	655
90047-8	ROCKY FORD	First Industrial Bank of Rocky Ford	OTERO				NI	13	10	12	0	0	0	4,870
90906-8	SALIDA	Salida Industrial Bank	CHAFFEE				NI	13	10	12	0	0	0	1,711
90884-3	STEAMBOAT SPRINGS	Yampa Valley Industrial Bank	ROUTT				NI	13	10	12	0	0	0	850
90048-6	STERLING	Sterling Industrial Bank	LOGAN				NI	13	10	12	0	0	0	6,905
90943-2	STRASBURG	Strasburg Industrial Bank	ADAMS				NI	13	10	12	2080	0	0	341
90012-5	THORNTON	Thornton Beneficial Industrial Bank	ADAMS				NI	13	10	12	2080	0	0	2,464
91189-5	THORNTON	Thornton U. S. Industrial Bank	ADAMS				NI	13	10	12	2080	0	0	2,223
90049-4	TRINIDAD	Trinidad Beneficial Industrial Bank	LAS ANI				NI	13	10	12	0	0	0	1,907
91260-3	VAIL	Vail FirstBank Industrial Bank	EAGLE				NI	13	10	12	0	0	0	0
90942-4	WALSENBURG	First Walsenburg Industrial Bank	HUERFAN				NI	13	10	12	0	0	1798	1,473
91259-0	WELLINGTON	Colorado Industrial Bank	LARIMER				NI	13	10	12	2670	0	0	0
90050-8	WESTMINSTER	Avco Westminster Industrial Bank	ADAMS				NI	13	10	12	2080	0	0	3,027
90564-0	WESTMINSTER	North Continental Industrial Bank	ADAMS				NI	13	10	12	2080	0	0	8,973
91127-5	WHEAT RIDGE	Credithrift of America Industrial Bank	JEFFERS				NI	13	10	12	2080	0	0	0
90577-1	WIDEFIELD	Republic Industrial Bank	EL PASO				NI	13	10	12	1720	0	0	5,101
91132-1	WINDSOR	Keystone Windsor Industrial Bank	WELD				NI	13	10	12	3060	0	0	0
91080-5	WINDSOR	Windsor Savings Industrial Bank	WELD				NI	13	10	12	3060	0	0	676
90615-8	WRAY	Wray Industrial Bank	YUMA				NI	13	10	12	0	0	0	2,122

STATE COLORADO(08)

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(LAKEWOOD -- WRAY)

S COLORADO(OB)

FOCUS 4K LIST

PAGE - 9

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	4BRG	PHC	ASSETS
90730-8	YUMA	Yuma Industrial Bank	YUMA				NI	13	10	12	0	0	1,394

RUN DATE: 83-08-02

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ACTIVE	NM	SM	N	MI	NI	MN	OI	IBA	(INACT)
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STATE: COLORADO(OB)

(YUMA -- YUMA)

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STATE DELAWARE(10)

FOCUS-BANK LIST

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	RUN DATE		ASSETS
											#BRS	BHC	
90516-0	WILMINGTON	American Guaranty & Trust Company	NEW CAS		NI	3	3	2		9160	0	0	636
90704-9	WILMINGTON	Delaware Charter Guarantee & Trust Compan	NEW CAS		NI	3	3	2		9160	0	0	438
91233-6	WILMINGTON	E. F. Hutton Trust Company	NEW CAS		NI	3	3	2		9160	0	0	0

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STATE DELAWARE(10)

(WILMINGTON -- W' NGTON)

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
91059-7	WASHINGTON	Abu Dhabi International Bank Inc (Branch)	WASHING	Y		NI	3	5	5	8840	0	5002	196,675
91216-6	WASHINGTON	Banco Real, S.A. (Branch)	WASHING	Y		NI	3	5	5	8840	0	0	3,632
91009-1	WASHINGTON	National Bank of Pakistan (Branch)	WASHING	Y		NI	3	5	5	8840	0	5117	67,374

RUN DATE: 83-08-02

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STATE: DISTRICT OF COLUMBIA(11)

(WASHINGTON -- WASHINGTON)

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	RUN DATE: 83-08-02		
											APRS	BHC	ASSETS
91163-1	BOCA RATON	DBT Trust Company of Florida	PALM BE			NI	5	6	6	8960	0	0	0
91180-1	CORAL GABLES	Bank of Tokyo Ltd. (Agency)	DADE	Y		NI	5	6	6	5000	0	0	19,044
91094-5	MIAMI	Algemene Bank Nederland NV (Agency)	DADE	Y		NI	5	6	6	5000	0	3105	29,018
91252-2	MIAMI	American Express International Banking Co	DADE	Y		NI	5	6	6	5000	0	0	0
90953-0	MIAMI	Amerifirst Florida Trust Company	DADE			NI	5	6	6	5000	0	0	1,045
91147-0	MIAMI	Banca Nazionale del Lavoro (Agency)	DADE	Y		NI	5	6	6	5000	0	5084	52,279
91013-9	MIAMI	Banco de la Nacion Argentina (Agency)	DADE	Y		NI	5	6	6	5000	0	5003	44,065
90956-4	MIAMI	Banco de Bilbao (Agency)	DADE	Y		NI	5	6	6	5000	0	5134	59,759
91120-8	MIAMI	Banco de Iberoamerica, S.A. (Agency)	DADE	Y		NI	5	6	6	5000	0	0	84,020
90907-6	MIAMI	Banco de Santander (Agency)	DADE	Y		NI	5	6	6	5000	0	2447	42,355
91019-8	MIAMI	Banco de Vizcaya SA (Agency)	DADE	Y		NI	5	6	6	5000	0	5135	52,533
90935-1	MIAMI	Banco do Brasil (Agency)	DADE	Y		NI	5	6	6	5000	0	5019	22,783
90912-2	MIAMI	Banco do Estado de Sao Paulo, S.A. (Agenc	DADE	Y		NI	5	6	6	5000	0	5023	117,763
91225-5	MIAMI	Banco Central SA (Agency)	DADE	Y		NI	5	6	6	5000	0	0	11,217
91134-8	MIAMI	Banco Colpatria (Agency)	DADE	Y		NI	5	6	6	5000	0	0	44,598
91210-7	MIAMI	Banco Espanol de Credito, SA (Agency)	DADE	Y		NI	5	6	6	5000	0	0	33,372
90934-3	MIAMI	Banco Exterior de Espana (Agency)	DADE	Y		NI	5	6	6	5000	0	2681	217,832
91227-1	MIAMI	Banco Ganadero (Agency)	DADE	Y		NI	5	6	6	5000	0	0	20,970
91081-3	MIAMI	Banco Industrial de Venezuela C.A. (Agenc	DADE	Y		NI	5	6	6	5000	0	5156	59,373
91228-0	MIAMI	Banco Mercantil y Agricola CA (Agency)	DADE	Y		NI	5	6	6	5000	0	0	0
91184-4	MIAMI	Banco Nacional SA (Agency)	DADE	Y		NI	5	6	6	5000	0	0	26,028
90898-3	MIAMI	Banco Real, S. A. (Agency)	DADE	Y		NI	5	6	6	5000	0	5028	37,401
91158-5	MIAMI	Bank of Credit and Commerce International	DADE	Y		NI	5	6	6	5000	0	0	58,021
90899-1	MIAMI	Bank of Nova Scotia (Agency)	DADE	Y		NI	5	6	6	5000	0	2247	31,119
91249-2	MIAMI	Banque de Paris (Agency)	DADE	Y		NI	5	6	6	5000	0	0	0
91168-2	MIAMI	Banque Sudameris (Agency)	DADE	Y		NI	5	6	6	5000	0	0	110,218
91057-1	MIAMI	Barclays Bank International Ltd (Agency)	DADE	Y		NI	5	6	6	5000	0	70	170,311
91152-6	MIAMI	Credit Lyonnais SA (Agency)	DADE	Y		NI	5	6	6	5000	0	5055	52,214
91109-7	MIAMI	Credit Suisse (Agency)	DADE	Y		NI	5	6	6	5000	0	5141	75,689
91117-8	MIAMI	Deutsch-Sudamerikanische Bank Aktiengesel	DADE	Y		NI	5	6	6	5000	0	0	100,552
90897-5	MIAMI	Lloyds Bank International Limited (Agency)	DADE	Y		NI	5	6	6	5000	0	685	365,199
91159-3	MIAMI	Manufacturers Hanover Trust Company of FI	DADE			NI	5	6	6	5000	0	0	0
91023-6	MIAMI	Royal Bank of Canada (Agency)	DADE	Y		NI	5	6	6	5000	0	382	216,427
90856-8	MIAMI	Standard Chartered Bank (Agency)	DADE	Y		NI	5	6	6	5000	0	1983	56,734
90952-1	MIAMI BEACH	American Savings Trust, Inc.	DADE			NI	5	6	6	5000	0	0	1,430
90896-7	MIAMI BEACH	Bank Hapoalim B.M. (Agency)	DADE	Y		NI	5	6	6	5000	0	5081	68,526
90854-1	MIAMI BEACH	Bank Leumi Le-Israel B. M. (Agency)	DADE	Y		NI	5	6	6	5000	0	3378	82,097
90855-0	MIAMI BEACH	Israel Discount Bank Ltd. (Agency)	DADE	Y		NI	5	6	6	5000	0	3682	68,265
90466-0	PALM BEACH	Bessemer Trust Company of Florida	PALM BE			NI	5	6	6	8960	0	0	0
91190-9	PALM BEACH	Girard Trust Company of Florida	PALM BE			NI	5	6	6	8960	0	0	0
91162-3	PALM BEACH	United States Trust Company of Florida	PALM BE			NI	5	6	6	8960	0	0	1,877
90056-7	PENSACOLA	Pensacola Loan & Savings Bank	ESCAMBI			NI	5	6	6	6080	0	784	21,311
91247-6	WEST PALM BEACH	Harris Trust Company of Florida	PALM BE			NI	5	6	6	8960	0	0	0

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5 GEORGIA(13)

FOCUS JK LIST

AGE - 13

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	RHC	ASSETS
90793-6	ATLANTA	Algemene Bank Nederland (Agency)	FULTON	Y	NI	5	6	6		520	0	3105	181,345
91170-4	ATLANTA	Banca Nazionale del Lavoro (Agency)	FULTON	Y	NI	5	6	6		520	0	5084	303,301
90794-4	ATLANTA	Bank of Nova Scotia (Agency)	FULTON	Y	NI	5	6	6		520	0	2247	328,130
90795-2	ATLANTA	Barclays Bank International (Agency)	FULTON	Y	NI	5	6	6		520	0	70	47,937
90863-1	ATLANTA	Canadian Imperial Bank of Commerce (Agency)	FULTON	Y	NI	5	6	6		520	0	43	354,765
90922-0	ATLANTA	Commerzbank Aktiengesellschaft (Agency)	FULTON	Y	NI	5	6	6		520	0	5060	59,054
90941-6	ATLANTA	Lloyds Bank International, Ltd (Agency)	FULTON	Y	NI	5	6	6		520	0	685	30,338
91104-6	ATLANTA	Reliance Trust Company	DE KALB		NI	5	6	6		520	0	0	0
91148-8	ATLANTA	Standard Chartered Bank, Ltd (Agency)	FULTON	Y	NI	5	6	6		520	0	1983	24,068
90796-1	ATLANTA	Swiss Bank Corporation (Agency)	FULTON	Y	NI	5	6	6		520	0	5142	63,754
90913-1	ATLANTA	The Toronto-Dominion Bank (Agency)	FULTON	Y	NI	5	6	6		520	0	2008	932,069
91050-3	ATLANTA	Union Bank of Bavaria (Agency)	FULTON	Y	NI	5	6	6		520	0	5065	113,033

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STATE: GEORGIA(13)

(ATLANTA -- ATLANTA)

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	RUN DATE: 83-08-02		ASSETS
											#BRS	BHC	
90515-1	HONOLULU	American Trust Company of Hawaii, Inc.	HONOLULU			NI	14	12	13	3320	0	0	13,341
90423-6	HONOLULU	Bishop Trust Company, Ltd.	HONOLULU		Y	NI	14	12	13	3320	1	0	30,991
90425-2	HONOLULU	Hawaiian Trust Company, Ltd.	HONOLULU			NI	14	12	13	3320	2	0	24,460
91218-2	HONOLULU	Pacific Trust Co., Ltd.	HONOLULU			NI	14	12	13	3320	0	0	0
90797-9	HONOLULU	Philippine National Bank (Agency)	HONOLULU	Y		NI	14	12	13	3320	0	5121	855
90864-9	HONOLULU	The Bank of Tokyo, Ltd. (Agency)	HONOLULU	Y		NI	14	12	13	3320	0	44	28,929

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MFG	CL	FD	FR	CC	SMSA	#ERS	RHC	AGE	DATE	83-08-02	A6SETS
90101-6	BELLEVILLE	Illinois State Trust Company	ST CLAI				NI	9	8	7	7040	0	2260			1,354
90513-5	BLOOMINGTON	IAA Trust Company	MCLEAN				NI	9	7	7	1040	0	0			4,838
90599-2	CHICAGO	Algemene Bank Nederland N.V. (Branch)	COOK	Y			NI	9	7	7	1600	0	3105			107,331
90917-3	CHICAGO	Allied Irish Banks Limited (Branch)	COOK	Y			NI	9	7	7	1600	0	5079			16,362
91089-9	CHICAGO	Australia and New Zealand Banking Group L	COOK	Y			NI	9	7	7	1600	0	5010			193,863
90559-3	CHICAGO	Banca Commerciale Italiana (Branch)	COOK	Y			NI	9	7	7	1600	0	5082			636,447
91160-7	CHICAGO	Banca Nazionale del Lavoro (Branch)	COOK	Y			NI	9	7	7	1600	0	5084			186,577
90909-2	CHICAGO	Banco de la Nacion Argentina (Branch)	COOK	Y			NI	9	7	7	1600	0	5003			176,877
90679-4	CHICAGO	Banco di Roma, S.P.A. (Branch)	COOK	Y			NI	9	7	7	1600	0	416			341,412
90452-0	CHICAGO	Bank for Savings and Loan Associations	COOK				NI	9	7	7	1600	0	0			293,426
90639-5	CHICAGO	Banque Indosuez, Chicago Office (Branch)	COOK	Y			NI	9	7	7	1600	0	5054			128,029
90562-3	CHICAGO	Banque Nationale de Paris (Branch)	COOK	Y			NI	9	7	7	1600	0	250			301,128
91220-4	CHICAGO	Banque Paribas, Chicago Office (Branch)	COOK	Y			NI	9	7	7	1600	0	0			140,584
90552-6	CHICAGO	Barclays Bank International Limited (Branch)	COOK	Y			NI	9	7	7	1600	0	70			389,908
90622-1	CHICAGO	Bayerische Vereinsbank AG, Chicago Office	COOK	Y			NI	9	7	7	1600	0	5065			201,125
90921-1	CHICAGO	Caisse National de Credit Agricole (Branch)	COOK	Y			NI	9	7	7	1600	0	5048			414,573
91083-0	CHICAGO	Canadian Imperial Bank of Commerce (Branch)	COOK	Y			NI	9	7	7	1600	0	43			73,707
90098-2	CHICAGO	Chicago Title & Trust Company	COOK				NI	9	7	7	1600	0	0			453,797
90598-4	CHICAGO	Commerzbank A. G. (Branch)	COOK	Y			NI	9	7	7	1600	0	5060			345,714
90590-9	CHICAGO	Credit Lyonnais (Branch)	COOK	Y			NI	9	7	7	1600	0	5055			138,721
90610-7	CHICAGO	CG Trust Company	COOK				NI	9	7	7	1600	0	0			1,373
90587-9	CHICAGO	Dresdner Bank Ag. (Branch)	COOK	Y			NI	9	7	7	1600	0	5063			146,930
90680-8	CHICAGO	Fuji Bank, Limited (Branch)	COOK	Y			NI	9	7	7	1600	0	2132			814,844
90626-3	CHICAGO	International Commercial Bank of China (Branch)	COOK	Y			NI	9	7	7	1600	0	5147			20,312
90589-5	CHICAGO	Lloyds Bank International Limited (Branch)	COOK	Y			NI	9	7	7	1600	0	685			209,709
90585-2	CHICAGO	Midwest Securities Trust Company	COOK				NI	9	7	7	1600	0	0			57,877
91255-7	CHICAGO	National Bank of Canada - Chicago Branch	COOK	Y			NI	9	7	7	1600	0	0			100
91211-5	CHICAGO	National Commercial Banking Corporation	COOK	Y			NI	9	7	7	1600	0	0			74,322
90558-5	CHICAGO	National Westminster Bank Public Limited	COOK	Y			NI	9	7	7	1600	0	3012			150,574
91143-7	CHICAGO	Societe Generale (Branch)	COOK	Y			NI	9	7	7	1600	0	5056			100,248
90563-1	CHICAGO	Swiss Bank Corporation (Branch)	COOK	Y			NI	9	7	7	1600	0	5142			272,458
91119-4	CHICAGO	The Commercial Bank of Korea, Ltd. (Branch)	COOK	Y			NI	9	7	7	1600	0	5104			43,724
90591-7	CHICAGO	The Hongkong and Shanghai Banking Corporation	COOK	Y			NI	9	7	7	1600	0	2946			10,303
90686-7	CHICAGO	The Mitsubishi Bank, Limited (Branch)	COOK	Y			NI	9	7	7	1600	0	201			546,295
90566-6	CHICAGO	The Sanwa Bank Limited (Branch)	COOK	Y			NI	9	7	7	1600	0	192			823,973
90565-8	CHICAGO	The Sumitomo Bank Limited (Branch)	COOK	Y			NI	9	7	7	1600	0	1991			830,012
91038-4	CHICAGO	The Tokai Bank, Limited (Branch)	COOK	Y			NI	9	7	7	1600	0	1947			112,734
91219-1	CHICAGO	The Toronto-Dominion Bank (Branch)	COOK	Y			NI	9	7	7	1600	0	0			107,452
90672-7	CHICAGO	Union Bank of Switzerland (Branch)	COOK	Y			NI	9	7	7	1600	0	5143			186,982
91196-8	CHICAGO	Westpac Banking Corporation (Branch)	COOK	Y			NI	9	7	7	1600	0	0			23,818
90514-3	OAK BROOK	Trust Company for USL, Inc.	DU PAGE				NI	9	7	7	1600	0	0			159

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STATE INDIANA(18)

FOCUS-BANK LIST

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90106-7	CROWN POINT	Lake County Trust Company	LAKE			NI	9	7	4	2960	0	0	0
90108-3	WAKARUSA	Citizens Bank	ELKHART			NI	9	7	4	2330	0	0	0

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STATE: INDIANA(18)

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(CROWN POINT -- WAKARUSA)

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FOCUS LIST

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#RRS	RHC	ASSETS
90109-1	BLOOMFIELD	Exchange Bank	DAVIS				NI	12	7	10	0	0	0
90512-7	CEDAR RAPIDS	Massachusetts Fidelity Trust Company	LINN				NI	12	7	10	1360	0	0
90110-5	CORNING	Bank of Brooks	ADAMS				NI	12	7	10	0	0	6,215
90112-1	FREDERIKA	Farmers Savings Bank	BREMER				NI	12	7	10	0	0	0
90115-6	LONE ROCK	Lone Rock Bank	KOSSUTH				NI	12	7	10	0	0	0
90116-4	LUCAS	Farmers and Miners Bank	LUCAS				NI	12	7	10	0	0	1,949

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(BLOOMFIELD -- LUCAS)

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STATE KANSAS(20)

## FOCUS-BANK LIST

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RUN DATE 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#RRS	RHC	ASSETS
90122-9	ABILENE	United Trust Company	DICKINS			NI	11	10	10	0	0	0	1,100

ACTIVE NM  
0SM  
0N  
0MI  
0NI  
1MN  
0OI  
0IBA  
0(INACT)  
0

STATE KANSAS(20)

(ABILENE - ILENE)

BEST COPY AVAILABLE

III-64

SI KENTUCKY(21)

FOCUS JK LIST

AGE - 19

RUN DATE: 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90125-3	FARMINGTON	Bank of Farmington	GRAVES			NI	6	8	4	0	0	0	1,152

III-65

BEST COPY AVAILABLE

ACTIVE	NM	SM	N	MI	NI	MN	DI	IBA	(INACT)
0	0	0	0	0	1	0	0	0	0

STATE: KENTUCKY(21)

(FARMINGTON -- FARMINGTON)

123



STATE LOUISIANA(22)

## FOCUS-BANK LIST

PAGE - 20

RUN DATE 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	RRS	RHC	ASSETS
91111-9	NEW ORLEANS	Barclays Bank International, Ltd (Agency	ORLEANS	Y		NI	7	6	8	5560	0	70	100,891

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III-66

ACTIVE	NM	SM	N	MI	NI	MN	OI	IBA	(INACT)
O	O	O	O	O	1	O	O	1	O

STATE: LOUISIANA(22)

(NEW ORLEANS -- NEW ORLEANS)

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MFG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90140-7	ADAMS	South Adams Savings Bank	BERKSHI			MN	1	1	1	6320	1	0	52,621
90141-5	AMESBURY	Provident Institution for Savings in the	ESSEX			MN	1	1	1	4160	0	0	35,613
90146-6	ATHOL	Athol Savings Bank	WORCEST			MN	1	1	1	0	0	0	44,241
90257-8	ATTLEBORO	Attleboro Savings Bank	BRISTOL			MN	1	1	1	6480	6	0	211,598
90147-4	AYER	North Middlesex Savings Bank	MIDDLES			MN	1	1	1	0	0	0	49,677
90148-2	BARRE	Barre Savings Bank	WORCEST			MN	1	1	1	0	0	0	17,412
90150-4	BEVERLY	Beverly Savings Bank	ESSEX			MN	1	1	1	1120	1	0	148,203
90545-3	BOSTON	Barclays Bank International Limited (Bran	SUFFOLK	Y		NI	1	1	1	1120	0	70	80,631
90155-5	BOSTON	East Boston Savings Bank	SUFFOLK			MN	1	1	1	1120	2	0	167,497
90157-1	BOSTON	Fiduciary Trust Company	SUFFOLK			NI	1	1	1	1120	0	0	0
90160-1	BOSTON	Hyde Park Savings Bank	SUFFOLK			MN	1	1	1	1120	1	0	112,876
90161-0	BOSTON	Lincoln Savings Bank	SUFFOLK			MN	1	1	1	1120	0	0	8,186
91141-1	BOSTON	Lloyds Bank International Limited (Branch	SUFFOLK	Y		NI	1	1	1	1120	0	685	3,671
90660-3	BOSTON	New England Securities Depository Trust C	SUFFOLK			NI	1	1	1	1120	0	0	3,552
90164-4	BOSTON	South Boston Savings Bank	SUFFOLK			MN	1	1	1	1120	2	0	476,458
90726-0	BOSTON	The Bank of Nova Scotia (Branch)	SUFFOLK	Y		NI	1	1	1	1120	0	2247	285,346
90166-1	BOSTON	Union Warren Savings Bank	SUFFOLK		Y	MN	1	1	1	1120	13	0	567,381
90168-7	BRAINTREE	The Braintree Savings Bank	NORFOLK			MN	1	1	1	1120	4	0	107,281
90169-5	BRIDGEWATER	Bridgewater Savings Bank	PLYMOUT			MN	1	1	1	1200	1	0	43,409
90170-9	BROCKTON	Brockton Savings Bank	PLYMOUT			MN	1	1	1	1200	4	0	171,987
90171-7	BROCKTON	People's Savings Bank of Brockton	PLYMOUT			MN	1	1	1	1200	4	0	91,524
90172-5	CAMBRIDGE	Cambridgeport Savings Bank	MIDDLES			MN	1	1	1	1120	2	0	203,227
90173-3	CAMBRIDGE	East Cambridge Savings Bank	MIDDLES			MN	1	1	1	1120	2	0	157,404
90175-0	CANTON	Canton Institution for Savings	NORFOLK			MN	1	1	1	1120	0	0	41,253
90179-2	CHICOPEE	Chicopee Savings Bank	HAMPDEN			MN	1	1	1	8000	2	0	113,983
90181-4	CLINTON	Clinton Savings Bank	WORCEST			MN	1	1	1	0	2	0	65,820
90182-2	COHASSET	Cohasset Savings Bank	NORFOLK			MN	1	1	1	1120	1	0	31,824
90276-4	CONWAY	United Savings Bank	FRANKLI	Y		MN	1	1	1	0	3	0	60,363
90185-7	DANVERS	Danvers Savings Bank	ESSEX			MN	1	1	1	1120	1	0	106,047
90187-3	EAST BRIDGEWATER	East Bridgewater Savings Bank	PLYMOUT			MN	1	1	1	1200	1	0	34,686
90188-1	EASTHAMPTON	Easthampton Savings Bank	HAMPSHI			MN	1	1	1	8000	1	0	93,902
90190-3	EDGARTOWN	Dukes County Savings Bank	DUKES			MN	1	1	1	0	1	0	34,452
90191-1	EVERETT	Everett Savings Bank	MIDDLES			MN	1	1	1	1120	2	0	131,014
90193-8	FALL RIVER	Citizens Savings Bank	BRISTOL			MN	1	1	1	2480	3	0	145,000
90195-4	FALL RIVER	Fall River Savings Bank	BRISTOL			MN	1	1	1	2480	5	0	105,903
90196-2	FALL RIVER	Union Savings Bank	BRISTOL			MN	1	1	1	2480	2	0	64,728
90198-9	FOXBORO	Foxborough Savings Bank	NORFOLK			MN	1	1	1	1120	2	0	46,294
90199-7	FRAMINGHAM	Framingham Savings Bank	MIDDLES			MN	1	1	1	1120	5	0	224,374
90200-4	FRANKLIN	Benjamin Franklin Savings Bank	NORFOLK			MN	1	1	1	1120	2	0	79,155
90201-2	GARDNER	Gardner Savings Bank	WORCEST			MN	1	1	1	0	3	0	109,179
90202-1	GEORGETOWN	Georgetown Savings Bank	ESSEX			MN	1	1	1	4160	0	0	21,015
90203-9	GLOUCESTER	Cape Ann Savings Bank	ESSEX			MN	1	1	1	0	1	0	103,002
90204-7	GREAT BARRINGTON	Great Barrington Savings Bank	BERKSHI			MN	1	1	1	0	2	0	96,378
90206-3	GREENFIELD	Greenfield Savings Bank	FRANKLI			MN	1	1	1	0	2	0	75,820
90209-8	HAVERHILL	Family Mutual Saving Bank	ESSEX			MN	1	1	1	4160	6	0	192,830
90208-0	HAVERHILL	Pentucket Five Cents Savings Bank	ESSEX			MN	1	1	1	4160	2	0	62,808
90211-0	HINGHAM	Hingham Institution for Savings	PLYMOUT			MN	1	1	1	1120	3	0	81,732
90212-8	HOLYOKE	Community Savings Bank	HAMPDEN	Y		MN	1	1	1	8000	14	0	378,633
90213-6	HOLYOKE	Peoples Savings Bank	HAMPDEN			MN	1	1	1	8000	4	0	172,697
90215-2	HUDSON	Hudson Savings Bank	MIDDLES			MN	1	1	1	0	1	0	61,599

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	RUN DATE	ASSETS
													83-08-02	
90216-1	IPSWICH	Ipswich Savings Bank	ESSEX			MN	1	1	1	0	2	0		44,033
90218-7	LAWRENCE	Community Savings Bank	ESSEX			MN	1	1	1	4160	2	0		58,740
90219-5	LAWRENCE	First Essex Savings Bank	ESSEX			MN	1	1	1	4160	7	0		288,843
90222-5	LEICESTER	Leicester Savings Bank	WORCEST			MN	1	1	1	9240	0	0		15,891
90223-3	LENEX	Lenox Savings Bank	BERKSHI			MN	1	1	1	6320	1	0		31,952
90224-1	LEOMINSTER	Leominster Savings Bank	WORCEST			MN	1	1	1	2600	3	0		93,703
90225-0	LEXINGTON	Lexington Savings Bank	MIDDLES			MN	1	1	1	1120	1	0		106,403
90226-8	LOWELL	Central Savings Bank	MIDDLES			MN	1	1	1	4560	3	0		246,650
90228-4	LOWELL	Lowell Institution for Savings	MIDDLES			MN	1	1	1	4560	4	0		123,857
90227-6	LOWELL	The Lowell Five Cent Savings Bank	MIDDLES			MN	1	1	1	4560	7	0		199,195
90229-2	LOWELL	Washington Savings Bank	MIDDLES			MN	1	1	1	4560	0	0		37,930
90230-6	LUDLOW	Ludlow Savings Bank	HAMPDEN			MN	1	1	1	8000	4	0		148,523
90275-6	LYNN	Eastern Savings Bank	ESSEX		Y	MN	1	1	1	1120	12	0		513,745
90234-9	MARBLEHEAD	Marblehead Savings Bank	ESSEX			MN	1	1	1	1120	1	0		67,126
90235-7	MARLBORO	Marlborough Savings Bank	MIDDLES			MN	1	1	1	0	2	0		87,444
90236-5	MAYNARD	Assabet Institution for Savings	MIDDLES			MN	1	1	1	0	1	0		60,965
90238-1	MEDWAY	Medway Savings Bank	NORFOLK			MN	1	1	1	1120	1	0		28,848
90240-3	MERRIMAC	Merrimac Savings Bank	ESSEX			MN	1	1	1	4160	0	0		7,759
90241-1	MIDDLEBORO	Middleborough Savings Bank	PLYMOUT			MN	1	1	1	0	1	0		24,471
90242-0	MILFORD	Milford Savings Bank	WORCEST			MN	1	1	1	0	2	0		118,866
90245-4	MONSON	Monson Savings Bank	HAMPDEN			MN	1	1	1	8000	0	0		29,061
90183-1	NATICK	Middlesex Savings Bank	MIDDLES		Y	MN	1	1	1	1120	7	0		243,200
90250-1	NEWBURYPORT	Institution for Savings in Newburyport an	ESSEX			MN	1	1	1	0	1	0		103,274
90251-9	NEWBURYPORT	Newburyport Five Cents Savings Bank	ESSEX			MN	1	1	1	0	2	0		83,176
90253-5	NORTH ADAMS	North Adams Hoosac Savings Bank	BERKSHI			MN	1	1	1	0	0	0		105,905
90258-6	NORTH BROOKFIELD	North Brookfield Savings Bank	WORCEST			MN	1	1	1	9240	0	0		31,511
90259-4	NORTH EASTON	North Easton Savings Bank	BRISTOL			MN	1	1	1	1200	2	0		57,255
90261-6	ORANGE	Orange Savings Bank	FRANKLI			MN	1	1	1	0	0	0		31,791
90263-2	PEABODY	Warren Five Cents Savings Bank	ESSEX			MN	1	1	1	1120	3	0		136,755
90265-9	PITTSFIELD	City Savings Bank of Pittsfield	BERKSHI			MN	1	1	1	6320	5	0		141,562
90266-7	PLYMOUTH	Plymouth Five Cents Savings Bank	PLYMOUT			MN	1	1	1	0	4	0		125,316
90268-3	PROVINCETOWN	Seamans Savings Bank	BARNSTA			MN	1	1	1	0	0	0		33,601
90270-5	RANDOLPH	Randolph Savings Bank	NORFOLK			MN	1	1	1	1120	3	0		139,726
90273-0	ROCKPORT	Granite Savings Bank	ESSEX			MN	1	1	1	0	0	0		30,722
90277-2	SOMERVILLE	Somerset Savings Bank	MIDDLES			MN	1	1	1	1120	1	0		64,111
90278-1	SOMERVILLE	Somerville Savings Bank	MIDDLES			MN	1	1	1	1120	0	0		74,266
90280-2	SOUTH WEYMOUTH	South Weymouth Savings Bank	NORFOLK			MN	1	1	1	1120	3	0		112,080
90282-9	SPENCER	Spencer Savings Bank	WORCEST		Y	MN	1	1	1	9240	2	0		63,064
90283-7	SPRINGFIELD	Hampden Savings Bank	HAMPDEN			MN	1	1	1	8000	3	0		73,815
90286-1	STONEHAM	Stoneham Savings Bank	MIDDLES			MN	1	1	1	1120	0	0		75,700
90290-0	UXBRIDGE	Uxbridge Savings Bank	WORCEST			MN	1	1	1	9240	1	0		48,380
90291-8	WAKEFIELD	Wakefield Savings Bank	MIDDLES			MN	1	1	1	1120	3	0		152,657
90292-6	WALTHAM	Waltham Savings Bank	MIDDLES			MN	1	1	1	1120	3	0		143,203
90297-7	WEBSTER	Webster Five Cents Savings Bank	WORCEST			MN	1	1	1	9240	3	0		85,087
90302-7	WEST NEWTON	West Newton Savings Bank	MIDDLES			MN	1	1	1	1120	4	0		138,751
90299-3	WESTBOROUGH	Westborough Savings Bank	WORCEST			MN	1	1	1	9240	2	0		57,541
90300-1	WESTFIELD	Westfield Savings Bank	HAMPDEN			MN	1	1	1	8000	3	0		162,645
90301-9	WESTFIELD	Woronoco Savings Bank	HAMPDEN			MN	1	1	1	8000	2	0		117,246
90303-5	WEYMOUTH	Weymouth Savings Bank	NORFOLK			MN	1	1	1	1120	3	0		106,122
90304-3	WHITINSVILLE	Whitinsville Savings Bank	WORCEST			MN	1	1	1	9240	1	0		63,129

S. MASSACHUSETTS(25)

FOCUS JK LIST

AGE - 23

RUN DATE: 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	*BRS	BHC	ASSETS
90307-8	WINCHENDON	Winchendon Savings Bank	WORCEST		MN	1	1	1		0	0	0	37,556
90308-6	WINCHESTER	Winchester Savings Bank	MIDDLES		MN	1	1	1		1120	1	0	119,093
90309-4	WINTHROP	Winthrop Savings Bank	SUFFOLK		MN	1	1	1		1120	1	0	70,120
90310-8	WOBURN	Woburn Five Cents Savings Bank	MIDDLES		MN	1	1	1		1120	3	0	115,400
90311-6	WORCESTER	Bay State Savings Bank	WORCEST		MN	1	1	1		9240	2	0	75,804
90313-2	WORCESTER	Consumers Savings Bank	WORCEST		MN	1	1	1		9240	9	0	289,177

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ACTIVE	NM	SM	N	MI	NI	MN	OI	IBA	(INACT)
	0	0	0	0	5	101	0	3	0

STATE: MASSACHUSETTS(25)

(WINCHENDON -- WORCESTER)

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STATE: MICHIGAN(26)

FOCUS-BANK LIST

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RUN DATE: 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	*BRS	BHC	ASSETS	
90316-7	DETROIT	Merchants Bank of Detroit	WAYNE				NI	8	7	7	2160	1	0	11,433
91097-0	HIGHLAND PARK	Automotive Financial Services, Inc.	WAYNE				NI	8	7	7	2160	0	0	0

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III-70

ACTIVE

NM  
0SM  
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0(INACT)  
0

STATE: MICHIGAN(26)

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(DETROIT -- HIGHLAND PARK)

S MINNESOTA(27)

FOCUS JK LIST

AGE - 25

RUN DATE: 83 08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90317-5	AUSTIN	Minnesota Trust Company of Austin	MOWER		NI	10	9	9		0	0	0	1,415
90914-9	MINNEAPOLIS	IDS Trust Company	HENNEPI		NI	10	9	9		5120	0	0	1,580
90319-1	ST. PAUL	First Trust Company of Saint Paul	RAMSEY		NI	10	9	9		5120	0	16	41,244

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ACTIVE	NM	SM	N	MI	NI	MN	OI	IBA	(INACT)
	0	0	0	0	3	0	0	0	0

STATE: MINNESOTA(27)

(AUSTIN -- ST. PAUL)

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BEST COPY AVAILABLE

III-72

STATE MISSISSIPPI(28)

FOCUS-BANK LIST

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RUN DATE: 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90648-4	JACKSON	Guardian Trust Company	HINDS			NI	7	6	8	3560	0	0	5,948

ACTIVE NM SM N MI NI MN OI IBA (INACT)

STATE MISSISSIPPI(28)

(JACKSON - JACKSON)

128



S. .: MISSOURI(29)

FOCUS JK LIST

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90703-1	CLAYTON	Metro Trust Company	STLCY		NI	11	8	10	7040	0	3914		625
90322-1	CLAYTON	The Guaranty Trust Company of Missouri	STLCY		NI	11	8	10	7040	0	184		583
90517-8	CLAYTON	The Trust Company of St. Louis County	STLCY		NI	11	8	10	7040	0	0		181
90328-1	ST. JOSEPH	Missouri Valley Trust Company	BUCHANA		NI	11	10	10	7000	0	0		465
90329-9	ST. LOUIS	Centerre Trust Company	ST LOUI		NI	11	8	10	7040	0	122		40,631

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ACTIVE NM SM N MI NI MN OI IBA (INACT)  
 0 0 0 0 5 0 0 0

STATE: MISSOURI(29)

(CLAYTON -- ST. LOUIS)

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90640-9	BILLINGS	Norwest Capital Management & Trust Co. , M	LEWIS A			NI	10	9	13	0	0	17	1,318
90548-8	GREAT FALLS	Trust Corporation of Montana	CASCADE			NI	10	9	13	3040	0	22	801
90330-2	HELENA	First Trust Company of Montana	LEWIS A			NI	10	9	13	0	0	16	675

ACTIVE	NN	SM	N	NI	NI	NN	OI	IBA	(INACT)
0	0	0	0	3	0	0	0	0	0

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STATE · MONTANA(30) 132 (BILLINGS) (HELENA)

NEBRASKA(31)

FOCU JK LIST

AGE - 29

RUN Date: 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MPG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
91101-1	BEATRICE	First Security Savings	GAGE			NI	12	10	10	0	0	0	0
90331-1	GRAND ISLAND	Grand Island Trust Company	HALL			NI	12	10	10	0	0	0	0
90332-9	KEARNEY	Guaranty Trust Company	BUFFALO			NI	12	10	10	0	0	1480	38
90335-3	NORTH PLATTE	North Platte Trust Company	LINCOLN			NI	12	10	10	0	0	0	2,040
90716-2	OMAHA	Norwest Capital Management & Trust Co. N	DOUGLAS			NI	12	10	10	5920	0	17	5,725
90649-2	WATERLOO	Gilco Trust Company	DOUGLAS			NI	12	10	10	5920	0	0	0
90518-6	WATERLOO	Swanco Trust Company	DOUGLAS			NI	12	10	10	5920	0	0	0
90336-1	YORK	First Trust Company	YORK			NI	12	10	10	0	0	0	0
91102-0	YORK	First York Savings Company	YORK			NI	12	10	10	0	0	0	5,199

III-75

BEST COPY AVAILABLE

ACTIVE	NM	SM	N	MI	NI	MN	OI	IBA	(INACT)
0	0	0	0	0	9	0	0	0	0

STATE: NEBRASKA(31)

(BEATRICE -- YORK)

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STATE: NEVADA(32)

## FOCUS-BANK LIST

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RUN DATE: 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
91032-5	RENO	Nevada Agency and Trust Company	WASHOE			NI	14	12	13	6720	0	0	0

ACTIVE

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STATE: NEVADA(32)

(RENO -- RENO)

BEST COPY AVAILABLE

III-76

S NEW HAMPSHIRE(33)

FOCUS K LIST

AGE - 31

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	ABRS	BHC	ASSETS
90543-7	WEARE	Fiduciary Trust Company of New Hampshire	HILLSBO		NI	1	1	1		0	0	0	98

RUN DATE: 83-08-02

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BEST COPY AVAILABLE

ACTIVE	NM	SM	N	MI	NI	MN	OI	IBA	(INACT)
0	0	0	0	0	1	0	0	0	0

STATE: NEW HAMPSHIRE(33)

(WEARE -- WEARE)

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STATE NEW MEXICO(35)

## FOCUS-BANK LIST

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RUN DATE 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90519-4	ALBUQUERQUE	Security Trust Company	BERNAL I			NI	13	10	12	200	0	93	460

BEST COPY AVAILABLE

III-78

ACTIVE NM  
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STATE: NEW MEXICO(35)

136  
(ALBUQUERQUE - ALBUQUERQUE)

S. NEW YORK(36)

FOCUS JK LIST

AGE - 33

CERT	CITY	NAME OF BANK	COUNTY	IBA	MFG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90992-1	ALBANY	Key Trust Company	ALBANY			NI	2	2	2	160	2	185	0
90363-9	NEW YORK CITY	Algemene Bank Nederland N. V. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	3105	1,731,110
90976-9	NEW YORK CITY	Algemene Bank Nederland N. V. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	3105	0
91167-4	NEW YORK CITY	American Scandinavian Banking Corporation	NEW YORK			NI	2	2	2	5600	0	0	0
91090-2	NEW YORK CITY	Amsterdam-Rotterdam Bank, N.V. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	5163	556,514
91073-2	NEW YORK CITY	Arab African International Bank (Agency)	NEW YORK	Y		NI	2	2	2	5600	0	5038	188,272
91238-7	NEW YORK CITY	Arab Bank Limited (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	0	371,767
91112-7	NEW YORK CITY	Arab Banking Corporation, B.S.C. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	0	473,959
91014-7	NEW YORK CITY	Australia and New Zealand Banking Group L	NEW YORK	Y		NI	2	2	2	5600	0	5010	249,069
90844-4	NEW YORK CITY	Baer American Banking Corporation (NYIC)	NEW YORK			NI	2	2	2	5600	0	0	0
91071-6	NEW YORK CITY	Banca Catalana, S.A. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	5133	44,290
90486-4	NEW YORK CITY	Banca Commerciale Italiana (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	5082	2,008,839
90343-4	NEW YORK CITY	Banca Nazionale del Lavoro (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	5084	1,331,699
91051-1	NEW YORK CITY	Banca Nazionale dell'Agricoltura (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	5083	623,803
90969-6	NEW YORK CITY	Banca Serfin SA (Agency)	NEW YORK	Y		NI	2	2	2	5600	0	5108	70,973
90551-8	NEW YORK CITY	Banco de la Nacion Argentina (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	5003	985,958
91030-9	NEW YORK CITY	Banco de la Provincia de Buenos Aires (Ag	NEW YORK	Y		NI	2	2	2	5600	0	5004	126,252
91115-1	NEW YORK CITY	Banco de la Republica Oriental del Uruguay	NEW YORK	Y		NI	2	2	2	5600	0	0	33,524
90803-7	NEW YORK CITY	Banco de Bogota (Agency)	NEW YORK	Y		NI	2	2	2	5600	0	2586	193,426
91182-8	NEW YORK CITY	Banco de Chile (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	0	23,532
91256-5	NEW YORK CITY	Banco de Credito del Peru (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	0	0
91043-1	NEW YORK CITY	Banco de Credito Nacional, S.A. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	5021	69,339
90925-4	NEW YORK CITY	Banco de Santander, S.A. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	2447	237,004
90806-1	NEW YORK CITY	Banco de Venezuela, S.A. (Agency)	NEW YORK	Y		NI	2	2	2	5600	0	5157	30,184
91066-0	NEW YORK CITY	Banco de Vizcaya, S.A. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	5135	523
90654-9	NEW YORK CITY	Banco di Napoli New York (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	5085	760,599
90569-1	NEW YORK CITY	Banco di Roma (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	416	1,398,764
90715-4	NEW YORK CITY	Banco di Sicilia (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	5086	487,630
90487-2	NEW YORK CITY	Banco do Brasil S. A. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	5019	440,655
90865-7	NEW YORK CITY	Banco do Comercio e Industria de Sao Pau	NEW YORK	Y		NI	2	2	2	5600	0	5020	155,566
90807-0	NEW YORK CITY	Banco do Estado de Sao Paulo, S.A. (Agenc	NEW YORK	Y		NI	2	2	2	5600	0	5023	174,763
91246-8	NEW YORK CITY	Banco do Estado do Parana S.A. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	0	3,858
91139-9	NEW YORK CITY	Banco do Estado do Rio de Janeiro, S. A.	NEW YORK	Y		NI	2	2	2	5600	0	0	48,924
91222-1	NEW YORK CITY	Banco do Estado do Rio Grande do Sul S.A.	NEW YORK	Y		NI	2	2	2	5600	0	0	6,723
90800-2	NEW YORK CITY	Banco Atlantico (Agency)	NEW YORK	Y		NI	2	2	2	5600	0	5127	22,718
91166-6	NEW YORK CITY	Banco Auxiliar, S.A. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	0	52,737
91215-8	NEW YORK CITY	Banco Bamerindus do Brasil, S.A. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	0	8,627
91194-1	NEW YORK CITY	Banco Bandeirantes S.A. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	0	4,164
91178-0	NEW YORK CITY	Banco Brasileiro de Descontos, S.A. (Bran	NEW YORK	Y		NI	2	2	2	5600	0	0	37,468
90965-3	NEW YORK CITY	Banco Central S.A. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	2632	288,320
91138-1	NEW YORK CITY	Banco Consolidado, C. A. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	0	12,222
91183-6	NEW YORK CITY	Banco Consolidado, C. A. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	0	66,863
90988-2	NEW YORK CITY	Banco Economico, S. A. (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	5022	21,914
90808-8	NEW YORK CITY	Banco Hispano-Americano (Branch)	NEW YORK	Y		NI	2	2	2	5600	0	5136	97,274
90809-6	NEW YORK CITY	Banco Industrial de Venezuela C.A. (Agenc	NEW YORK	Y		NI	2	2	2	5600	0	5156	375,715
91069-4	NEW YORK CITY	Banco Internacional SA (Agency)	NEW YORK	Y		NI	2	2	2	5600	0	5162	169,050
90950-5	NEW YORK CITY	Banco Itau S. A. (Agency)	NEW YORK	Y		NI	2	2	2	5600	0	5024	96,734
90810-0	NEW YORK CITY	Banco Mercantil de Sao Paulo, S.A. (Agenc	NEW YORK	Y		NI	2	2	2	5600	0	5026	114,118
91110-1	NEW YORK CITY	Banco Mexicano Somex, S.A. (Agency)	NEW YORK	Y		NI	2	2	2	5600	0	0	96,280
90812-6	NEW YORK CITY	Banco Nacional de Mexico, S.A. (Agency)	NEW YORK	Y		NI	2	2	2	5600	0	2801	479,284

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	RUN DATE: 83-08-02		ASSETS
91209-3	NEW YORK CITY	Banco Nacional de Panama (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	0			12,913
90811-8	NEW YORK CITY	Banco Nacional, S.A. (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5031			91,016
91144-5	NEW YORK CITY	Banco Noroeste S.A. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0			31,749
90872-0	NEW YORK CITY	Banco Portugues do Atlantico (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5122			88,744
90344-2	NEW YORK CITY	Banco Real, S.A. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5028			386,432
90915-7	NEW YORK CITY	Banco Rio de la Plata, S.A. (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5005			195,932
90889-4	NEW YORK CITY	Banco Totta & Acores (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5123			151,265
90813-4	NEW YORK CITY	Banco Union C.A. (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	2541			39,766
90814-2	NEW YORK CITY	Banco Urquijo (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5137			194,180
90870-3	NEW YORK CITY	Bancomer, SA (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5109			946,344
90868-1	NEW YORK CITY	Banesto Banking Corporation (NYIC)	NEW YOR			NI	2	2	2	5600	0	0			0
90815-1	NEW YORK CITY	Bangkok Bank Limited (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5148			169,060
90932-7	NEW YORK CITY	Bangkok Metropolitan Bank Ltd (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5149			33,618
90647-6	NEW YORK CITY	Bank fuer Gemeinwirtschaft (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5057			174,992
91095-3	NEW YORK CITY	Bank of Montreal (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	42		3,739,485	
91156-9	NEW YORK CITY	Bank of New Zealand (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5111			67,541
90347-7	NEW YORK CITY	Bank of Nova Scotia Trust Company of New	NEW YOR			NI	2	2	2	5600	0	2247			8,266
91074-1	NEW YORK CITY	Bank of Scotland (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5152			61,287
90836-3	NEW YORK CITY	Bank of Seoul and Trust Company (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5102			185,253
90888-6	NEW YORK CITY	Bank Bumiputra Malaysia Berhad (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5107			98,513
91045-7	NEW YORK CITY	Bank Hapoalim B.M. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5081			29,218
90816-9	NEW YORK CITY	Bank Leumi Le-Israel, B.M. (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	3378			1,959
90817-7	NEW YORK CITY	Bank Melll Iran (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5076			16,185
90821-5	NEW YORK CITY	Bank Saderat Iran (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5078			6,427
90822-3	NEW YORK CITY	Bank Sanaye Iran (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	0			8,042
90857-6	NEW YORK CITY	Bank Sepah Iran (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5077			263
90947-5	NEW YORK CITY	Bankamerica Trust Company of New York	NEW YOR			NI	2	2	2	5600	0	0			104,202
91044-9	NEW YORK CITY	Banque de l'Indochine et de Suez (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5054		1,527,118	
90873-8	NEW YORK CITY	Banque de l'Union Europeenne (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5042			104,972
91268-9	NEW YORK CITY	Banque de Paris et des Pays-Bas (Suisse)	NEW YOR	Y		NI	2	2	2	5600	0	0			0
90670-1	NEW YORK CITY	Banque Francaise du Commerce Exterieur (B	NEW YOR	Y		NI	2	2	2	5600	0	5041			1,047,326
90661-1	NEW YORK CITY	Banque Nationale de Paris (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	250			1,708,125
90887-8	NEW YORK CITY	Banque Paribas (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5051			549,757
91070-8	NEW YORK CITY	Banque Worms (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5046			53,587
90350-7	NEW YORK CITY	Barclays Bank International Limited (Bran	NEW YOR	Y		NI	2	2	2	5600	0	70		2,044,792	
90973-4	NEW YORK CITY	Barclays Bank International Limited (Bran	QUEENS	Y		NI	2	2	2	5600	0	70			0
91208-5	NEW YORK CITY	Barclays Bank International Limited (Bran	NEW YOR	Y		NI	2	2	2	5600	0	0			0
90693-0	NEW YORK CITY	Bayerische Hypotheken-und Wechsel-Bank (B	NEW YOR	Y		NI	2	2	2	5600	0	5058			176,445
91116-0	NEW YORK CITY	Bayerische Landesbank Girozentrale (Branc	NEW YOR	Y		NI	2	2	2	5600	0	0			329,979
90605-1	NEW YORK CITY	Bayerische Vereinsbank AG (Union Bank of	NEW YOR	Y		NI	2	2	2	5600	0	5065			298,240
90657-3	NEW YORK CITY	Berliner Handels and Frankfurter Bank (Br	NEW YOR	Y		NI	2	2	2	5600	0	5059			120,540
90352-3	NEW YORK CITY	Brown Brothers, Harriman & Co.	NEW YOR			NI	2	2	2	5600	2	0			837,353
90825-8	NEW YORK CITY	Canadian Imperial Bank of Commerce (Agenc	NEW YOR	Y		NI	2	2	2	5600	0	43		1,982,801	
91108-9	NEW YORK CITY	Canadian Imperial Bank of Commerce (Agenc	NEW YOR	Y		NI	2	2	2	5600	0	43			0
90501-1	NEW YORK CITY	Commerzbank Aktiengesellschaft (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5060		1,354,394	
91084-8	NEW YORK CITY	Commonwealth Trading Bank of Australia (B	NEW YOR	Y		NI	2	2	2	5600	0	5014			235,313
90596-8	NEW YORK CITY	Continental Stock Transfer & Trust Compan	NEW YOR			NI	2	2	2	5600	0	0			0
91067-8	NEW YORK CITY	Cooperatieve Centrale Raiffeisen - Boeren	NEW YOR	Y		NI	2	2	2	5600	0	5113			604,223
91229-8	NEW YORK CITY	Credit du Nord (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0			83,664
90676-0	NEW YORK CITY	Credit Commercial de France (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5049			363,090

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MGR	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90570-4	NEW YORK CITY	Credit Industrial et Commercial SA (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5053	841,831
90502-0	NEW YORK CITY	Credit Lyonnais (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5055	1,795,640
91250-6	NEW YORK CITY	Creditanstalt-Bankverein (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0	0
90555-1	NEW YORK CITY	Credito Italiano (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5087	1,005,211
91146-1	NEW YORK CITY	Den Danske Provinsbank A/S (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0	121,632
90861-4	NEW YORK CITY	Deutsche Bank AG (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5061	1,237,421
90664-6	NEW YORK CITY	Deutsche Genossenschafts Bank (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5062	213,586
91254-9	NEW YORK CITY	Doha Bank Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0	0
90541-1	NEW YORK CITY	Dresdner Bank Aktiengesellschaft (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5063	814,148
91155-1	NEW YORK CITY	Dubai Bank Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0	72,324
90845-2	NEW YORK CITY	European-American Banking Corporation (NY)	NEW YOR			NI	2	2	2	5600	0	2514	0
90846-1	NEW YORK CITY	French-American Banking Corporation (NY)	NEW YOR			NI	2	2	2	5600	0	250	0
90831-2	NEW YORK CITY	Grindlays Bank, Limited (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5154	72,462
91214-0	NEW YORK CITY	Gulf Bank KSC (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	0	273,238
91036-8	NEW YORK CITY	Gulf International Bank B.S.C. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5016	44,556
90498-8	NEW YORK CITY	Habib Bank Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5116	33,643
91052-0	NEW YORK CITY	Hessische Landesbank Girozentrale (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5064	57,863
90835-5	NEW YORK CITY	International Commercial Bank of China (A)	NEW YOR	Y		NI	2	2	2	5600	0	5147	499,427
91242-5	NEW YORK CITY	Israel Discount Bank Ltd (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0	25,846
91033-3	NEW YORK CITY	Istituto Bancario San Paolo di Torino (Ag)	NEW YOR	Y		NI	2	2	2	5600	0	5088	514,871
90847-9	NEW YORK CITY	J Henry Schroder Banking Corporation (NY)	NEW YOR			NI	2	2	2	5600	0	393	0
91258-1	NEW YORK CITY	J. & W. Seligman Trust Company, National	NEW YOR			NI	2	2	2	5600	0	0	0
91007-4	NEW YORK CITY	Jugobanka-United Bank (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5159	205,428
90719-7	NEW YORK CITY	Korea Exchange Bank (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	2027	454,138
90837-1	NEW YORK CITY	Korea First Bank (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5106	213,561
90706-5	NEW YORK CITY	Kredietbank N.V. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5017	366,183
91195-0	NEW YORK CITY	Krung Thai Bank Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0	44,034
90345-1	NEW YORK CITY	Lloyds Bank International Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	685	1,952,937
90361-2	NEW YORK CITY	Macy's Bank	NEW YOR			NI	2	2	2	5600	2	0	838
91264-6	NEW YORK CITY	Metropolitan Bank and Trust Company (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0	0
91140-2	NEW YORK CITY	Middle East Bank Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0	29,808
91230-1	NEW YORK CITY	Midland Bank Public Limited Company (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0	0
91245-0	NEW YORK CITY	Monte dei Paschi di Siena (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0	30,200
90929-7	NEW YORK CITY	Multibanco Comermex, S. A. (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5110	219,085
90924-6	NEW YORK CITY	National Bank of Canada (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5034	252,838
90362-1	NEW YORK CITY	National Bank of Pakistan (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5117	169,608
91037-6	NEW YORK CITY	National Commercial Banking Corporation o	NEW YOR	Y	Y	NI	2	2	2	5600	0	5015	251,209
90494-5	NEW YORK CITY	National Westminster Bank P.L.C. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	3012	2,481,632
91251-4	NEW YORK CITY	Nedbank Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0	0
90879-7	NEW YORK CITY	Nederlandsche Middenstandsbank, N. V. (Br)	NEW YOR	Y		NI	2	2	2	5600	0	5112	955,669
90848-7	NEW YORK CITY	Nordic American Banking Corporation (NYIC)	NEW YOR			NI	2	2	2	5600	0	0	0
90597-6	NEW YORK CITY	Norwest Trust Company, New York (A Limite)	NEW YOR			NI	2	2	2	5600	0	17	16,491
91135-6	NEW YORK CITY	Oversea-Chinese Banking Corporation Ltd.	NEW YOR	Y		NI	2	2	2	5600	0	0	14,584
90839-8	NEW YORK CITY	Overseas Union Bank, Limited (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5125	76,019
91006-6	NEW YORK CITY	Philippine Commercial & Industrial Bank (	NEW YOR	Y		NI	2	2	2	5600	0	5119	31,987
90463-5	NEW YORK CITY	Philippine National Bank (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5121	30,053
90938-6	NEW YORK CITY	Privatbanken A/S (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5035	94,923
91093-7	NEW YORK CITY	Royal Bank of Canada (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	382	0
91257-3	NEW YORK CITY	Saudi International Bank (Al-Bank Al-Saud)	NEW YOR	Y		NI	2	2	2	5600	0	0	0
90366-3	NEW YORK CITY	Savings Banks Trust Company	NEW YOR			NI	2	2	2	5600	1	0	1,116,635

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	LC	SMCA	PERM	RHC	RUN DATE	AT	CR	02	ASSETS
91253-1	NEW YORK CITY	Shanghai Commercial Bank Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0					0
90919-0	NEW YORK CITY	Siam Commercial Bank, Ltd. (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5150					17,743
90891-6	NEW YORK CITY	Societe Generale (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5056					1,218,756
90646-8	NEW YORK CITY	Standard Chartered Bank Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	1983					959,237
90877-7	NEW YORK CITY	Standard Chartered Bank Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	1983					0
91142-9	NEW YORK CITY	State Bank of India (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5075					0
91186-1	NEW YORK CITY	State Bank of New South Wales (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0					14,044
90662-0	NEW YORK CITY	Sumitomo Trust & Banking Co. Ltd. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5098					1,895,499
90368-0	NEW YORK CITY	Swiss Bank Corporation (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5142					5,010,375
90979-3	NEW YORK CITY	Swiss Bank Corporation (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5142					0
90370-1	NEW YORK CITY	Swiss Credit Bank (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0					2,203,602
91034-1	NEW YORK CITY	Thai Farmers Bank Ltd. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5151					45,820
90819-3	NEW YORK CITY	The Bank of Nova Scotia (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	2247					861,916
90820-7	NEW YORK CITY	The Bank of Tokyo, Limited (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	44					6,940,098
90918-1	NEW YORK CITY	The Bank of Yokohama, Ltd. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5089					981,942
91207-7	NEW YORK CITY	The Cho-Hoeng Bank, Ltd. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0					125,492
90826-6	NEW YORK CITY	The Chuo Trust and Banking Company, Limit	NEW YOR	Y		NI	2	2	2	5600	0	5090					424,150
90827-4	NEW YORK CITY	The Commercial Bank of Korea, Limited (Ag	NEW YOR	Y		NI	2	2	2	5600	0	5104					87,391
90896-4	NEW YORK CITY	The Dai-ichi Kangyo Bank, Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	188					7,630,338
91177-1	NEW YORK CITY	The Daiwa Bank, Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	2520					2,017,850
90544-5	NEW YORK CITY	The Depository Trust Company	NEW YOR			NI	2	2	2	5600	0	0					764,247
90949-1	NEW YORK CITY	The Development Bank of Singapore Limited	NEW YOR	Y		NI	2	2	2	5600	0	5124					53,752
90830-4	NEW YORK CITY	The Fuji Bank, Limited (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	2132					5,975,367
90832-1	NEW YORK CITY	The Hanil Bank Limited (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5105					107,629
90729-4	NEW YORK CITY	The Hokkaido Takushoku Bank, Limited (Bra	NEW YOR	Y		NI	2	2	2	5600	0	5091					2,034,557
91149-6	NEW YORK CITY	The Hokuiku Bank, Ltd. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5092					396,166
90834-7	NEW YORK CITY	The Industrial Bank of Japan, Ltd. (Agenc	NEW YOR	Y		NI	2	2	2	5600	0	2136					3,165,023
91244-1	NEW YORK CITY	The Kah Wah Bank Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	0					3,284
90695-6	NEW YORK CITY	The Kyowa Bank, Ltd. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	2821					1,177,847
90606-9	NEW YORK CITY	The Long-Term Credit Bank of Japan, Ltd	NEW YOR	Y		NI	2	2	2	5600	0	5097					2,500,331
90678-6	NEW YORK CITY	The Mitsubishi Bank, Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	201					7,238,042
90707-3	NEW YORK CITY	The Mitsubishi Trust and Banking Corporat	NEW YOR	Y		NI	2	2	2	5600	0	5095					2,411,185
90683-2	NEW YORK CITY	The Mitsui Bank, Ltd. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	2097					3,096,128
90684-1	NEW YORK CITY	The Mitsui Trust and Banking Company, Lim	NEW YOR	Y		NI	2	2	2	5600	0	5094					2,813,332
90673-5	NEW YORK CITY	The Nippon Credit Bank, Ltd. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5096					1,842,246
90840-1	NEW YORK CITY	The Royal Bank of Canada (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	382					1,398,771
90858-4	NEW YORK CITY	The Royal Bank of Scotland P L C. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5155					118,494
90688-3	NEW YORK CITY	The Saitama Bank, Ltd. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5097					2,265,268
90671-9	NEW YORK CITY	The Sanwa Bank, Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	192					5,421,570
90677-8	NEW YORK CITY	The Sumitomo Bank, Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	1991					2,773,144
90682-4	NEW YORK CITY	The Taiyo Kobe Bank, Ltd. (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5099					2,243,613
90687-5	NEW YORK CITY	The Tokai Bank, Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	1947					4,472,016
91164-0	NEW YORK CITY	The Toronto-Dominion Bank (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	2008					3,017,230
90468-6	NEW YORK CITY	The Toronto-Dominion Bank Trust Company	NEW YOR			NI	2	2	2	5600	0	2008					0
90643-3	NEW YORK CITY	The Toyo Trust & Banking Company, Ltd. (B	NEW YOR	Y		NI	2	2	2	5600	0	5100					989,187
90665-4	NEW YORK CITY	The Yasuda Trust and Banking Company, Lim	NEW YOR	Y		NI	2	2	2	5600	0	5101					1,117,124
91193-3	NEW YORK CITY	Udruzena Beogradski Banka (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	0					58,990
91017-1	NEW YORK CITY	Unibanco-Uniao de Banco Brasileiros SA (A	NEW YOR	Y		NI	2	2	2	5600	0	5030					59,385
90594-1	NEW YORK CITY	Union Bank of Switzerland (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5143					5,071,996
90681-6	NEW YORK CITY	United Bank, Limited (Branch)	NEW YOR	Y		NI	2	2	2	5600	0	5118					11,314

S. NEW YORK(36)

FOCUS JK LIST

AGE - 37

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90968-8	NEW YORK CITY	United Mizrahi Bank, Ltd. (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	2771	23,764
90843-6	NEW YORK CITY	United Overseas Bank, Limited (Agency)	NEW YOR	Y		NI	2	2	2	5600	0	5126	41,988
90629-8	NEW YORK CITY	Westdeutsche Landesbank Girozentrale (Bra	NEW YOR	Y		NI	2	2	2	5600	0	5066	1,100,387
91035-0	NEW YORK CITY	Westpac Banking Corporation (Branch)	NEW YOR	Y	Y	NI	2	2	2	5600	0	5011	237,034
91223-9	WHITE PLAINS	Bank of New York Trust Company	WESTCHE			NI	2	2	2	5600	0	0	0

III-83

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ACTIVE	NM	SM	N	MI	NI	MN	01	IBA	(INACT)
0	0	0	0	0	205	0	0	186	0

STATE: NEW YORK(36)

(NEW YORK CITY - WHITE PLAINS)

141

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III-84

STATE NORTH CAROLINA(37)

FOCUS-BANK LIST

PAGE - 38

RUN DATE: 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	RRS	BHC	ASSETS
91114-3	LUMBERTON	Canal Trust Company	ROBESON		NI	5	5	5		0	0	0	0

ACTIVE	NM	SM	N	MI	NI	MN	DI	IBA	(INACT)
0	0	0	0	0	1	0	0	0	0

STATE NORTH CAROLINA(37)

(LUMBERTON -- LUMBERTON)

ST. NORTH DAKOTA(38)

FOCUS LIST

AGE - 39

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	YBRS	BHC	ASSETS
90374-4	BISMARCK	The Bank of North Dakota	BURLEIG		NI	10	9	9	1010		0	0	853,596
91072-4	FARGO	Dakota First Trust Company	CASS		NI	10	9	9	2520		0	0	540
90717-1	FARGO	First Trust Company of North Dakota	CASS		NI	10	9	9	2520		0	16	1,291
90711-1	FARGO	Norwest Capital Management & Trust Co.	CASS		NI	10	9	9	2520		0	17	905

RUN DATE: 83-08-02

III-85

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ACTIVE	NM	SM	N	MI	NI	MN	OI	IBA	(INACT)
	0	0	0	0	4	0	0	0	0

STATE: NORTH DAKOTA(38)

(BISMARCK -- FARGO)

143

STATE: OHIO(39)

## FOCUS-BANK LIST

PAGE - 40

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	RRS	BHC	ASSETS
90471-6	NEW KNOXVILLE	The Peoples Savings Bank	AUGLAIZ		NI	6	4	4	4320		0	0	1,516

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III-86

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STATE: OHIO(39)

144

(NEW KNOXVILLE -- NEW KNOXVILLE)



SI OKLAHOMA(40)

FOCUS JK LIST

PAGE - 41

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#RPS	BHC	ASSETS
90520-8	DUNCAN	Investors Trust Company	STEPHEN				NI	13	10	11	0	0	38,813
90674-3	MUSKOGEE	Pioneer Savings and Trust Company	MUSKOGEE				NI	13	10	11	0	0	44,137
90378-7	NEWKIRK	Albright Title & Trust Company	KAY				NI	13	10	11	0	0	0
90522-4	OKLAHOMA CITY	American-First Title & Trust Company	OKLAHOM				NI	13	10	11	5880	0	2,728
90521-6	OKLAHOMA CITY	Southwest Title & Trust Company	OKLAHOM				NI	13	10	11	5880	0	0
91063-5	OKLAHOMA CITY	The Trust Company of Oklahoma	OKLAHOM				NI	13	10	11	5880	2	1,879
90650-6	TULSA	The Republic Trust and Savings Company	TULSA				NI	13	10	11	8560	0	266

III-87

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STATE: OKLAHOMA(40)

(DUNCAN -- TULSA)

145

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90980-7	BEAVERTON	Canadian Imperial Bank of Commerce (Branc	WASHING	Y		NI	14	12	13	6440	0	43	13,648
90380-9	PORTLAND	Canadian Imperial Bank of Commerce (Branc	MULTNOM	Y		NI	14	12	13	6440	0	43	1,104,947
90981-5	PORTLAND	Canadian Imperial Bank of Commerce (Branc	MULTNOM	Y		NI	14	12	13	6440	0	43	16,239
90982-3	PORTLAND	Canadian Imperial Bank of Commerce (Branc	MULTNOM	Y		NI	14	12	13	6440	0	43	14,908
91010-4	PORTLAND	Columbia Trust Company	MULTNOM			NI	14	12	13	6440	0	0	0
91103-8	PORTLAND	Pacific Northwest Trust Company	MULTNOM			NI	14	12	13	6440	0	0	0
90927-1	PORTLAND	Service Trust Company	MULTNOM			NI	14	12	13	6440	0	0	520
90877-1	PORTLAND	The Bank of Nova Scotia (Branch)	MULTNOM	Y		NI	14	12	13	6440	0	2247	264,361
90379-5	PORTLAND	The Bank of Tokyo, Ltd. (Branch)	MULTNOM	Y		NI	14	12	13	6440	0	44	1,692,701
91039-2	PORTLAND	The Hongkong and Shanghai Banking Corpora	MULTNOM	Y		NI	14	12	13	6440	0	2946	12,295
90908-4	PORTLAND	The Royal Bank of Canada (Branch)	MULTNOM	Y		NI	14	12	13	6440	0	382	1,489,385

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III-88

ACTIVE NM SM N MI NI MN OI IBA (INACT)

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STATE OREGON(41)

(BEAVERTON PORTLAND)

146

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	RUN DATE - 83-08-02		
											#BRS	RHC	ASSETS
91234-4	DRESHER	Prudential Trust Company	MONTGOM		NI	3	3	2	6160	0	0	0	
90383-3	HERSHEY	Hershey Trust Company	DAUPHIN		NI	3	3	2	3240	0	450	8,492	
90384-1	LANDISBURG	Bank of Landisburg	PERRY		NI	3	3	2	3240	2	0	37,164	
90385-0	LEECHBURG	Favero Private Bank	ARMSTRO		NI	3	4	2	0	0	0	180	
90387-6	PHILADELPHIA	Marian Bank	PHILADE		NI	3	3	2	6160	0	0	10,350	
91029-5	PHILADELPHIA	Philadelphia Depository Trust Company	PHILADE		NI	3	3	2	6160	0	0	1,091	
90386-8	PHILADELPHIA	The Glenmede Trust Company	PHILADE		NI	3	3	2	6160	0	0	4,076	
90904-1	PITTSBURGH	Algemene Bank Nederland N. V. (Branch)	ALLEGHE	Y	NI	3	4	2	6280	0	3105	45,520	
90876-2	PITTSBURGH	Barclays Bank International, Ltd. (Branch)	ALLEGHE	Y	NI	3	4	2	6280	0	70	34,478	
91099-6	PITTSBURGH	Canadian Imperial Bank of Commerce (Branch)	ALLEGHE	Y	NI	3	4	2	6280	0	43	125,258	
90905-0	PITTSBURGH	Lloyds Bank International Limited (Branch)	ALLEGHE	Y	NI	3	4	2	6280	0	885	228,719	
90390-6	READING	Tobias Knoblauch	BERKS		NI	3	3	2	6680	0	0	61,423	
91232-8	VALLEY FORGE	Vanguard Fiduciary Trust Company	CHESTER		NI	3	3	2	6160	0	0	0	

III-89

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147

BEST COPY AVAILABLE

III-90

STATE: RHODE ISLAND(44)

FOCUS-BANK LIST

PAGE - 44

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#RRS	BNC	ASSETS
91150-0	CRANSTON	Commercial Credit Company	PROVIDE				NI	1	1	1	6480	0	0
90392-2	CRANSTON	Greater Providence Trust Company	PROVIDE				NI	1	1	1	6480	10	0
90641-7	PROVIDENCE	New England Trust Company	PROVIDE				NI	1	1	1	6480	0	0

ACTIVE NM SM N MI NI MN OI IBA (INACT)

STATE: RHODE ISLAND(44)

148

(CRANSTON -- PROVIDENCE)

STA SOUTH DAKOTA(46)

FOCUS- LIST

GE - 45

CERT	CITY	NAME OF BANK	COUNTY	IBA	MFG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90663-8	SIOUX FALLS	Norwest Capital Management & Trust Co	MINNEHA				NI	10	9	9	7760	0	17

RUN DATE 83-08-02

III-91

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STATE: SOUTH DAKOTA(46)

(SIOUX FALLS -- SIOUX FALLS)

149

BEST COPY AVAILABLE

III-92

STATE: TENNESSEE(47)

FCCUS-BANK LIST

PAGE - 46

RUN DATE: 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90400-7	GASSAWAY	Meltons Bank	CANNON		NI	7	6	8		0	0	0	406
91024-4	NASHVILLE	State Trust of Tennessee	DAVIDSO		NI	7	6	8		5360	0	0	0
90401-5	SPRINGFIELD	First Trust Company	ROBERTS		NI	7	6	8		5360	0	0	26

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STATE: TENNESSEE(47)

150

(GASSAWAY -- SPRINGFIELD)

S TEXAS(48)

FOCU: K LIST

AGE - 47

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
91062-7	ADDISON	Commercial Credit Bank	DALLAS			NI	13	11	11	1920	0	0	78,932
90403-1	CHILTON	Chilton Citizens Bank	FALLS			NI	13	11	11	0	0	0	C
90409-1	HILLSBORO	Colonial Trust Company	HILL			NI	13	11	11	0	0	0	2,008
90410-4	LEROY	Leroy Bank	MCLENNA			NI	13	11	11	8800	0	0	0
90411-2	PRIDDY	Farmers and Merchants Bank	MILLS			NI	13	11	11	0	0	0	0
90412-1	SAN ANTONIO	D. & A. Oppenheimer	BEXAR			NI	13	11	11	7240	0	0	13,582

III-93

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ACTIVE NM SM N MI NI MN OI IBA (INACT)

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STATE: TEXAS(48)

(ADDISON -- SAN ANTONIO)

151

STATE: UTAH(49)

## FOCUS-BANK LIST

PAGE - 48

RUN DATE: 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS	
90698-1	OGDEN	Steiner Trust Company	WEBER				NI	14	12	12	7160	0	0	60
90523-2	SALT LAKE CITY	Deseret Trust Company	SALT LA				NI	14	12	12	7160	0	0	330

BEST COPY AVAILABLE

III-94

ACTIVE	NM	SM	N	MI	NI	MN	OI	IBA	(INACT)
0	0	0	0	0	2	0	0	0	0

STATE: UTAH(49)

182

(OGDEN -- SALT LAKE CITY)



S VERMONT(50)

FOCUS JK LIST

AGE - 49

RUN DATE: 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#RRS	BHC	ASSETS
90414-7	BURLINGTON	Farmers Trust Company	CHITTEN		NI	1	1	1		1305	0	310	220

III-95

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STATE: VERMONT(50)

(BURLINGTON -- BURLINGTON)

153

BEST COPY AVAILABLE

III-96

STATE: VIRGINIA(51)

FOCUS-BANK LIST

PAGE - 50

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90613-1	RICHMOND	Bank of Virginia Trust Company	RICHMON		NI	3	5	5	6760		0	53	2,119

ACTIVE	NM	SM	N	MI	NI	MN	OI	IBA	(INACT)
0	0	0	0	0	1	0	0	0	0

STATE: VIRGINIA(51)

154

(RICHMOND) (RICHMOND)

S. WASHINGTON(53)

FOCUS JK LIST

AGE 51

RUN DATE 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#RRS	BHC	ASSETS
91231-0	SEATTLE	Algemene Bank Nederland N.V. (Branch)	KING	Y	NI	14	12	13		7600	0	0	7,592
90567-4	SEATTLE	Bank of Tokyo, Ltd. (Branch)	KING	Y	NI	14	12	13		7600	0	44	306,846
91060-1	SEATTLE	Barclays Bank International Limited (Branch)	KING	Y	NI	14	12	13		7600	0	70	89,512
90415-5	SEATTLE	Canadian Imperial Bank of Commerce (Branch)	KING	Y	NI	14	12	13		7600	0	43	240,332
90593-3	SEATTLE	Hongkong and Shanghai Banking Corporation	KING	Y	NI	14	12	13		7600	0	2946	35,892
91145-3	SEATTLE	Korea Exchange Bank (Branch)	KING	Y	NI	14	12	13		7600	0	2027	88,983
90536-4	SEATTLE	Laird, Norton Trust Company	KING		NI	14	12	13		7600	0	0	1,953
90496-1	SEATTLE	Savings Bank Trust Company Northwest	KING		NI	14	12	13		7600	0	0	1,312
90609-3	SEATTLE	Standard Chartered Bank Public Limited Co	KING	Y	NI	14	12	13		7600	0	1983	21,063
90690-5	SEATTLE	Sumitomo Bank, Limited (Branch)	KING	Y	NI	14	12	13		7600	0	1991	265,961
90689-1	SEATTLE	The Hokkaido Takushoku Bank, Ltd. (Branch)	KING	Y	NI	14	12	13		7600	0	5091	115,641
90691-3	SEATTLE	The Mitsui Bank, Ltd. (Branch)	KING	Y	NI	14	12	13		7600	0	2097	256,467
90568-2	SEATTLE	The Taiyo Kobe Bank, Ltd. (Branch)	KING	Y	NI	14	12	13		7600	0	5099	237,536
91028-7	TACOMA	Frank Russell Trust Company	PIERCE		NI	14	12	13		8200	0	0	1,890

III-97

BEST COPY AVAILABLE

ACTIVE NM SM N MI NI MN OI IBA (INACT)  
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STATE: WASHINGTON(53)

(SEATTLE -- TACOMA)

153

BEST COPY AVAILABLE

STATE WISCONSIN(55)

FOCUS-BANK LIST

PAGE - 52

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90540-2	APPLETON	Valley Trust Company	OUTAGAM		NI	8	7	9		460	0	56	531
90417-1	LA CROSSE	La Crosse Trust Company	LA CROS		NI	8	9	9		3870	0	0	854
90553-4	MILWAUKEE	The Heritage Trust Company	MILWAUK		NI	8	7	9		5080	0	836	4,067
91087-2	MILWAUKEE	The Marine Trust Company, N A	MILWAUK		NI	8	7	9		5080	0	0	2,541
90996-3	SHEBOYGAN	Citizens Trust Company	SHEBOYG		NI	8	7	9		7620	0	114	605
90469-4	WAUSAU	Wisconsin Valley Trust Company	MARATHO		NI	8	7	9		8940	0	82	824

III-98

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STATE WISCONSIN(55)

(APPLETON WAUSAU)

156

STA WYOMING(56)

FOCUS- LIST

JE - 53

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90991-2	GILLETTE	Wyoming Trust and Management Co.	CAMPBEL			NI	10	10	12	0	0	1556	63

III-99

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(GILLETTE -- GILLETTE)

157

STATE: GUAM(66)

## FOCUS-BANK LIST

PAGE - 54

RUN DATE: 83-08-02

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	RRS	BHC	ASSETS
91263-8	AGANA	Allied Banking Corporation, Guam Branch		Y		NI	14	12	13	0	0	0	0
90721-9	AGANA	First Commercial Bank (Branch)		Y		NI	14	12	13	0	0	0	6,899
90722-7	AGANA	Metropolitan Bank and Trust Company (Branch)		Y		NI	14	12	13	0	0	2615	9,492
90946-7	AGANA	The Hongkong and Shanghai Banking Corporation		Y		NI	14	12	13	0	0	2946	12,944

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STATE: GUAM(66)

(AGA\*\*\* -- AGANA)

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BEST COPY AVAILABLE

III-100

CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	#BRS	BHC	ASSETS
90708-1	CAROLINA	Continental Trust Company	CAROLIN		NI	2	2	2		7440	0	0	0
90983-1	GUANICA	The Royal Bank of Canada (Branch)	GUANICA	Y	NI	2	2	2		0	0	382	7,480
90985-8	MAYAGUEZ	The Royal Bank of Canada (Branch)	MAYAGUE	Y	NI	2	2	2		4840	0	382	27,292
90451-1	SAN JUAN	Banco de la Vivienda de Puerto Rico	SAN JUA		NI	2	2	2		7440	4	0	0
90709-0	SAN JUAN	Banco Cooperativo de Puerto Rico	SAN JUA		NI	2	2	2		7440	0	0	50,786
90439-2	SAN JUAN	Bank of Nova Scotia (Branch)	SAN JUA	Y	NI	2	2	2		7440	0	2247	0
90428-7	SAN JUAN	Government Development Bank for Puerto Ri	SAN JUA		NI	2	2	2		7440	0	0	1,305,083
90440-6	SAN JUAN	The Royal Bank of Canada (Branch)	SAN JUA	Y	NI	2	2	2		7440	0	382	447,097
90984-0	SAN JUAN	The Royal Bank of Canada (Branch)	SAN JUA	Y	NI	2	2	2		7440	0	382	136,328
90986-6	SAN JUAN	The Royal Bank of Canada (Branch)	SAN JUA	Y	NI	2	2	2		7440	0	382	59,162
90987-4	SAN JUAN	The Royal Bank of Canada (Branch)	SAN JUA	Y	NI	2	2	2		7440	0	382	45,860

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ACTIVE NM SM N MI NI MN OI IBA (INACT)  
 0 0 0 0 11 0 0 7 0

STATE: PUERTO RICO(72)

(CAROLINA -- SAN JUAN)

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CERT	CITY	NAME OF BANK	COUNTY	IBA	MRG	CL	FD	FR	CC	SMSA	RUN DATE 83-08-02		ASSETS
											#BRS	BHC	
90433-3	CHARLOTTE AMALIE	Bank of Nova Scotia (Branch)		Y		NI	2	2	2	0	0	2247	340,964
90427-9	CHARLOTTE AMALIE	Barclays Bank, D.C.O. (Branch)		Y		NI	2	2	2	0	0	70	96,595
90434-1	CHRISTIANSTED	Bank of Nova Scotia (Branch)		Y		NI	2	2	2	0	0	2247	0
90454-6	CHRISTIANSTED	Bank of Nova Scotia (Branch)		Y		NI	2	2	2	0	0	2247	0
90436-8	FREDERIKSTED	Bank of Nova Scotia (Branch)		Y		NI	2	2	2	0	0	2247	0

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III-102

ACTIVE	NM	SM	N	MI	NI	MN	OI	IBA	(INACT)
0	0	0	0	0	5	0	0	5	0

STATE: VIRGIN ISLANDS(78)

(CHARLOTTE AMALI -- FREDERIKSTED)

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TL	ACTIVE NM	SM	N	MI		MN	01	1BA	(INACT)
NP	O	O	O	O	741	101	O	424	O

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M204 0608: FILE CLOSED STRURK

M204 0353: AUTUN LOGOUT 83 AUG 02 08 52

M204 1250: END OF INPUT DATA

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III-104

SECTION IV

OFFICE OF COMPTROLLER  
OF THE CURRENCY  
REGIONAL/DISTRICT STAFF

		<u>FTS</u>	<u>Commercial</u>
Charles E. White	<u>Boston Region</u>		
Gloria Semedo	Regional Counsel	8/223-2274	617-223-2274
	Secretary	"	"
	<u>Northeastern District (New York)</u>		
Wallace S. Nathan	District Counsel	8/265-3495	212-944-3495
William T. Dehnke	Attorney	"	"
Dale Zelony	Attorney	"	"
Agnes Holland	Secretary	"	"
	<u>Richmond Region</u>		
Gary Baskin	Attorney	8/925-2406	804-643-3517
Elizabeth Williams	Secretary	"	"
	<u>Southeastern District (Atlanta)</u>		
Henry G. Pannell	District Counsel	8/242-3797	404-221-4926
Kenneth Gartlir	Attorney	"	"
Valarie Chisholm	Attorney	"	"
Betty Hamby	Secretary	"	"
Jennifer Adams	Secretary	"	"
	<u>Central District (Chicago)</u>		
James M. Kane	District Counsel	8/353-0300	312-353-0300
Robin Kovash	Attorney	"	"
Stacy Powers	Attorney	"	"
Rita Bourgeois	Secretary	"	"
	<u>Midwestern District (Kansas City)</u>		
Michael J. O'Keefe	District Counsel	8/758-6431	816-374-6431
Wayne Vennard	Senior Attorney	"	"
Leslie Linville	Senior Attorney	"	"
Sandy Clark	Secretary	"	"
	<u>Southwestern District (Dallas)</u>		
Patrick Parise	District Counsel	8/729-4400	214-767-4400
Eugene Marsico	Attorney	"	"
Patsy Marshall	Secretary	"	"
	<u>Western District (San Francisco)</u>		
Joseph Pogar, Jr.	District Counsel	8/454-8561	415-974-8561
Debbie Chong	Attorney	"	"
Stephanie Allen	Attorney	"	"
Patricia Kelly	Secretary	"	"

8/1/83

NOTE: If you are in need of expedited service or you are experiencing difficulty with obtaining cooperation from local or regional employees, call Robert E. Serino, Director, Office of the Comptroller of the Currency at (202) 447-1847.

If you have questions concerning an offshore bank regarding its legitimacy, call John M. Shockey at (202) 447-1987.

Robert B. Serino, Director (202-447-1847)  
Enforcement and Compliance Division  
Office of the Comptroller of the Currency

The Office of the Comptroller of the Currency

The Office of the Comptroller of the Currency (OCC) is a bureau of the United States Treasury Department. The OCC's function is the chartering, regulating and supervising of the national banking system.1/

The OCC is headquartered in Washington and under its planned reorganization will maintain six district offices throughout the country. Each district office will be directed by a district deputy comptroller and district administrator. The OCC supervises the national banks through on- and off-site premise examinations, and other processes, conducted by a staff of field examiners.2/ Examinations are designed to determine the solvency and liquidity of each bank with the general areas of concern being asset quality, management, earnings, capital, adequacy of policies and procedures, and internal and external controls.

At the conclusion of each field examination, the condition of the bank is discussed with its management and a report is made to the OCC and to the bank's board of directors. If the condition of the bank is unsatisfactory or if the trend of its operations is adverse, the board of directors of the bank will be advised of the OCC's concern and in many cases may be the subject of corrective administrative actions which might include, among other things, removal of directors and officers, cease and desist or civil money penalty actions.3/

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1/ Of the 14,396 commercial banks in the United States, 4,466 are national banks. (They are identified by the words "National" or "National Association" [N.A.] in their titles.) Of the commercial banks, 982 are state banks that are members of the Federal Reserve System and are supervised by the Federal Reserve. The Federal Reserve also supervises the 2,300 bank holding companies. Of the commercial banks, 8,948 are state banks that are insured and supervised by the FDIC.

2/ About 140 United States banking organizations were present in more than 110 countries at the end of 1978. Foreign financial operations of United States banks may be examined either through the home office or by actual on-site review, depending on the law and relationship between the United States and the foreign government.

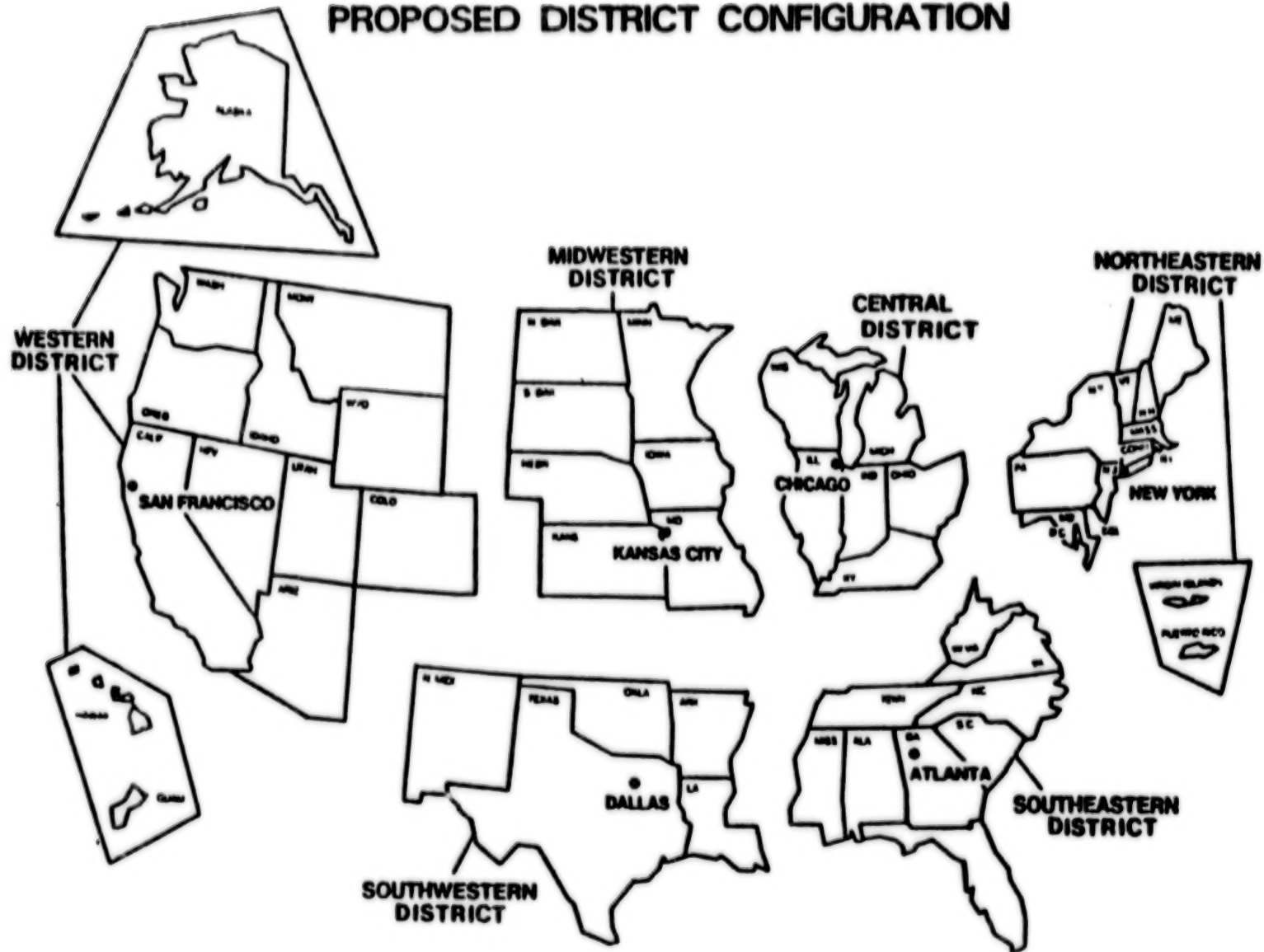
3/ In drastic cases, the power also exists for the revocation of charter, receivership, conservatorship or termination of FDIC insurance.

The OCC also passes upon certain structural changes in the national banking system. These include, among others, the approval of applications to organize new national banks, to establish and operate branches of existing national banks or branches of foreign banks in the United States, to merge or consolidate banks when the resulting bank is a national bank, to relocate national bank offices, and to effect changes in controlling ownership.

For contact sources for law enforcement purposes, it is suggested that either district counsel or personnel in the Enforcement and Compliance Division be notified. The Enforcement and Compliance Division is a Division in the Law Department. Its principal functions are to ensure that appropriate administrative proceedings are undertaken when the examining staff of the OCC deems it necessary, and to ensure that appropriate criminal referrals are made to law enforcement authorities where there is evidence of potential violations of law. As part of this effort, attorneys from the Division meet regularly with national banks examiners to attempt to correct problems in banks before they become unmanageable. In certain difficult cases, Division attorneys may conduct investigations or develop specific information concerning matters which may be the subject of a criminal referral or evidence for an administrative matter. The Division assimilates information on various fraudulent schemes, both domestic and foreign, which might have an impact on banks, and makes it available to appropriate law enforcement authorities.

To enhance the likelihood of detection of bank fraud and to assist investigators and prosecutors in understanding the intricacies of bank frauds, the Division is training examiners in the detection, investigation and prosecution of white-collar crime. To the extent consistent with Office priorities, these trained examiners are available to assist law enforcement authorities in their handling of bank fraud cases.

# COMPTROLLER OF THE CURRENCY PROPOSED DISTRICT CONFIGURATION



• PROPOSED DISTRICT OFFICE LOCATIONS

## INFORMATION AVAILABLE IN THE OFFICE OF THE COMPTROLLER OF THE CURRENCY

Information Available1. Examination reports of national banks

Examiners have full access to all the books and records of national banks at any time with full examination being conducted usually once a year. Based on the review of records, evaluations are done by the examiners who determine the condition of the bank. Reports contain narrative comments about, among other things, the quality of management, earnings, capital, assets, and liquidity. Should weaknesses be noted, such as poor-quality assets, they will be scheduled in greater detail in an appendix to the report. Violations of banking statutes (civil) discovered by the examiners are also detailed.

Limitations on Disclosure

Examination reports are confidential and are exempt from disclosure under numerous statutes, including the Freedom of Information Act. They contain information derived from customer records and therefore are also limited from disclosure by the Right to Financial Privacy Act of 1978. Examiners are precluded from disclosing information from examination reports by criminal statute, 18 U.S.C. §1906, without the prior permission of the Comptroller.

Means of Requesting Access

Contact: Robert B. Serino  
Director, Enforcement and  
Compliance Division (8-447-1847)

Information is provided pursuant to 12 C.F.R. §§4.16-4.19. This requires that a request be forwarded to the OCC indicating the type of information that is requested and the reason it is necessary for law enforcement or other purposes. (The request should be as narrow as possible and in normal cases should not encompass the entire examination reports.) Telephone contact to district counsel or to the Enforcement and Compliance Division in advance is suggested so that the request can be expedited.



2. Working papers developed during examination

They are the examiner's initial workproduct and provide the support for the conclusion reached in the examination. They are treated with the same degree of confidentiality as the report of examination.

Same as above.

Same as above.

3. Availability of examiners

a. Examiners are available to testify on information they developed during the course of an examination, with the same limitations as imposed for examination reports.

Same as above.

Same as above.

b. Examiners may also be used as expert witnesses or to provide guidance to agents in the understanding of bank documents, practices, procedures, etc.

Same as above except that general policies and procedures not about a particular bank can be disclosed without the need for a letter of authorization.

Same as above.

c. Examiners on occasion may be delegated to assist as agents of the grand jury, or agents of an investigatory agency to assist in the compliance with subpoenas duces tecum.

Same as above.

Same as above.

#### 4. National Bank Surveillance System information

Each national bank must submit to the OCC a quarterly Report of Condition reflecting the balance sheet and some other selected financial statistics of the institution. The OCC has computerized this information and produces a bank performance report. The reports enable the OCC to statistically compare different banks. Each bank receives a quarterly bank performance report reflecting its performance in comparison with its peer group banks.

Much of the information is public.

Same as above. Public information obtained pursuant to 12 C.F.R. §4.17.

#### 5. Information of foreign banks and on fraudulent offshore shell banks

The Enforcement and Compliance Division of the OCC has received from many of the commissioners of banks of the Caribbean Islands lists of their banks which have been licensed to do business. Periodically, we receive updated lists and, on occasion, receive lists of those banks which are no longer licensed to do business in the Islands.

Much of the information is public information and will be disclosed to law enforcement agencies upon request.

Same as above.

The Multinational Division of the OCC maintains information on foreign banks and on United States banks with foreign offices.

- |    |   |  |                                       |
|----|---|--|---------------------------------------|
| 6. | Background information on organizers of new national banks and on persons acquiring control of national banks after <u>March 10, 1979</u> | Names are public but background information considered confidential. | Same as above.                        |
| 7. | <u>Securities filings for registered banks</u>  | Publicly available.  | Public disclosures pursuant to §4.17. |
| 8. | <u>General public information listed in 12 C.F.R. §4.14</u>   | Publicly available.  | Same as above.                        |

## SUPERVISORY JURISDICTION UNDER EXISTING LAW

<u>TYPES OF FINANCIAL INSTITUTIONS</u>	<u>AGENCY HAVING JURISDICTION</u>	<u>EXAMINATION RESPONSIBILITY</u>
NATIONAL BANKS -	<ul style="list-style-type: none"> <li>• COMPTROLLER OF THE CURRENCY</li> <li>• BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM</li> <li>• FEDERAL DEPOSIT INSURANCE CORPORATION</li> </ul>	COMPTROLLER OF THE CURRENCY
STATE BANKS -		
1. MEMBERS OF THE FEDERAL RESERVE SYSTEM AND INSURED	<ul style="list-style-type: none"> <li>• BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM</li> <li>• FEDERAL DEPOSIT INSURANCE CORPORATION</li> <li>• STATE BANKING COMMISSION</li> </ul>	BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM STATE BANKING COMMISSION
2. INSURED BUT <u>NOT</u> MEMBERS OF FEDERAL RESERVE SYSTEM	<ul style="list-style-type: none"> <li>• STATE BANKING COMMISSION</li> <li>• FEDERAL DEPOSIT INSURANCE CORPORATION</li> </ul>	STATE BANKING COMMISSION FEDERAL DEPOSIT INSURANCE CORPORATION
3. STATE BANKS - PRIVATE	<ul style="list-style-type: none"> <li>• STATE BANKING COMMISSION</li> </ul>	STATE BANKING COMMISSION

## SUPERVISORY JURISDICTION UNDER EXISTING LAW

### TYPES OF FINANCIAL INSTITUTIONS

### AGENCY HAVING JURISDICTION

#### SAVINGS AND LOANS -

##### FEDERAL

- FEDERAL HOME LOAN BANK BOARD
- FEDERAL SAVINGS AND LOAN  
INSURANCE CORPORATION

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##### STATE

- FEDERAL SAVINGS AND LOAN  
INSURANCE CORPORATION (IF INSURED)
- STATE SAVINGS AND LOAN COMMISSION

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#### CREDIT UNIONS -

- NATIONAL CREDIT UNION ADMINISTRATION
- STATE AGENCY

## SUPERVISORY JURISDICTION UNDER EXISTING LAW

TYPE OF FINANCIAL INSTITUTION

FOREIGN BANK OFFICES -  
(AGENCY OR BRANCH)

AGENCY HAVING JURISDICTION

- COMPTROLLER OF THE CURRENCY
- FEDERAL DEPOSIT INSURANCE CORPORATION
- BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
- STATE BANKING COMMISSION

## Cash Accounts: Domestic and International Introduction

### Section 201.1

Cash accounts include U.S. and foreign coin and currency on hand and in transit, clearings, and cash items.

#### Cash

Every bank must maintain a certain amount of U.S. and foreign currency on hand. To avoid having excess non-earning assets and to minimize exposure to misappropriation and robbery, each bank should establish a policy to maintain cash balances at the minimum levels necessary to serve its customers. The amount will vary from bank to bank depending on anticipated needs of customers, with a reasonable allowance made for unusual demands.

The rates at which a bank's international division buys or sells foreign currency will not exactly match exchange rates quoted for volume book transactions or bank transfers because of such expenses as shipping charges, insurance, allocated teller salaries and fixture cost.

Some banks do not include foreign currency in their net position reports or their monthly revaluations because of differing exchange rates and generally nominal amounts. However, the coin and currency of other countries are foreign currency assets as are loans or nostro accounts and should be included.

#### Clearings

Clearings are checks, drafts, notes and other items that a bank has cashed or received for deposit that are drawn on other local banks and are cleared directly with them. Such items usually can be exchanged more efficiently among local banks, than through correspondent banks or the Federal Reserve System. Many communities with two or more banks have formally organized clearinghouse associations which have adopted rules governing members in the exchange of checks. Such associations often extend in-house arrangements to other nearby cities and towns.

In most banks, clearings will be found in the department responsible for processing checks. Proof and transit were once two separate functions in a bank: the proving of work (proof) and the sending of out-of-town cash items (transit) for collection. In recent years, many banks have combined those two functions. Those functions may be performed by any combination of tellers or proof clerks, by a separate proof and transit department, by a check processing department, by an outclearing department or by some other department peculiar to the particular area

of the country. The functions may be centralized or decentralized, manual or automated, depending on the size of the bank and the volume of transactions. In some large city banks, the volume of clearings is so great that the bank's proof operations are conducted on a 24-hour basis. In such cases, daily clearings customarily are determined as of a specific cutoff time. Checks processed to that time are carried in one day's totals, and checks processed after that time are carried in the following day's totals. However, no matter who performs the function or how large the bank, the objectives of a proof and transit system are the same:

- To forward items for collection so that funds are available as soon as possible.
- To distribute all incoming checks and deposits to their destinations.
- To establish whether deposit totals balance with the totals shown on deposit tickets.
- To prove the totals of general ledger entries and other transactions.
- To collect data for computing the individual customer's service charges and determining the availability of customer's funds.
- To accomplish the assigned functions at the lowest possible cost.

#### Cash Items

Cash items are checks or other items in the process of collection that are payable in cash upon presentation. A separate control of all such items usually is maintained on the bank's general ledger, and international division general ledger, if applicable, and is supported by a subsidiary record of individual amounts and other pertinent data. Cash items and the related records usually are in the custody of one employee at each banking office who is designated as the city cash collection, or exchange, teller.

In addition to those items carried in the separate account entitled "cash items," on the general ledger, most banks will have several sources of internal float in which irregular cash items can be concealed. Such items include any memoranda slips; checks drawn on the bank; checks returned by other banks; checks of directors, officers, employees and their interests; checks of affiliates; debits purporting to represent currency or coin shipments; notes, usually past-due; and all aged and unusual items of any na-

## Cash Accounts: Domestic and International Introduction

Section 201.1

ture that might involve fictitious entries, manipulations, or uncollectible accounts.

In their normal daily operations, all banks have an internal float of assets charged, on the general ledger, to the total debit to demand deposits but which cannot be charged to individual accounts because of insufficient funds, no accounts, etc. Such items are commonly known as bookkeepers' return items or rejected or unposted debits and may consist of checks received in the ordinary course of business, loan payment debits, and other debit memos. In some banks, such items are separated by the bookkeepers and an entry is made reclassifying them to a separate asset account entitled "bookkeepers' return items." Other banks do not use a separate asset account, instead the bookkeepers include the items in a subsidiary control account in the individual demand deposit ledgers. In that case, the account would have a debit balance and would be credited when the bank returns the checks to their source.

Since bookkeepers' return items usually can be returned to their source on the next business day, the balance of the bookkeepers' return item account should represent the total of only one day's returned items.

When data processing systems are in use, it is a common practice to post all properly encoded debit items, regardless of whether an overdraft is created. The resulting preliminary overdraft list, together with the items charged, then is reviewed by bank employees and unapproved items are reversed and separated as bookkeepers' return items. The total of the resulting final overdraft list becomes the final overdraft figure shown on the general ledger. The examination of overdrafts is discussed in the "Deposit Accounts" section. The examination of international overdrafts is discussed in the "Due From Banks: Domestic and International," "Borrowed Funds: Domestic and International" and "Foreign Exchange" sections.

If the cash items are not in the process of collection, they should be included on the bank's books in an

appropriate account and shown under "other assets." These are items which are payable upon presentation but which the bank has elected to accumulate for forwarding to the payor on a periodic basis, such as Series E Bonds. If the items are not immediately payable in cash upon presentation, or if they were not paid when presented and, after a predetermined period of time, require further collection effort, they also should be included in a non-cash asset account, such as "suspense resources," and shown under "other assets." Examples are checks held to avoid overdrafts and other checks for which there are no funds for immediate payment. Many banks set a 3-day limit, after which all items not collected must automatically be transferred from "cash items" to "suspense resources."

### Currency Transactions

The Financial Recordkeeping and Reporting regulations, 31 CFR 103, require financial institutions to maintain records that might be useful in criminal, tax or regulatory investigations. They also seek to identify persons who attempt to avoid payment of taxes through transfers of cash to or from foreign accounts. Amendments to the regulations in 1980 are expected to facilitate the investigations of narcotics trafficking, tax evasion and other criminal activities. The examination procedures for determining compliance with the regulations require the examiner to ascertain the quality of the bank's auditing procedures and operating standards relating to 31 CFR 103. Examiners also determine the adequacy of written policies and bank training programs. Form CC-1425-CL, Financial Recordkeeping and Reporting of Currency and Foreign Transactions, is to be used in checking compliance and reporting apparent violations. If violations are disclosed, this form should be forwarded to the regional office with the report of examination. That office will compile and submit information to the chief national bank examiner's office according to the instructions contained in PPM 5000-13.



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➤ Cash Accounts: Domestic and International  
Examination Objectives

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Section 201:2

1. To determine if the policies, practices, procedures and internal controls regarding "cash accounts" are adequate.
2. To determine if bank officers and employees are operating in conformance with the established guidelines.
3. To determine the scope and adequacy of the audit function.
4. To determine compliance with laws, rulings and regulations.
5. To initiate corrective action when policies, practices, procedures or internal controls are deficient or when violations of law, rulings or regulations have been noted.

## Cash Accounts: Domestic and International Examination Procedures

Section 201.3

1. Complete or update the Cash Accounts section of the Internal Control Questionnaire.
2. Based on the evaluation of internal controls and the work performed by internal/external auditors (see separate program), determine the scope of the examination.
3. Test for compliance with policies, practices, procedures and internal controls in conjunction with performing the remaining examination procedures. Also obtain a listing of any deficiencies noted in the latest review done by internal/external audit from the examiner assigned to that area of examination, and determine if appropriate corrections have been made.
4. Perform those verification procedures deemed appropriate.
5. Scan the general ledger cash accounts for any unusual items or abnormal fluctuations. Investigate any such items and document any apparent noncompliance with policies, practices and procedures for later review with appropriate management personnel.
6. Obtain teller settlement sheet recap or similar document as of the examination date and agree to the general ledger. Scan for reasonableness and conformity to bank policy.
7. Obtain detailed listings of cash items, including any bank items which are carried in the general ledger under "other assets" agree listings to general ledger balances and scan for propriety and conformity to bank policy.
8. Test compliance with 12 CFR 21 by:
  - a. Selecting teller and banking office cash balance sheets and determining that balances are within currency limits established.
  - b. Selecting bait money and agreeing serial numbers to applicable records.
  - c. Reviewing documentation evidencing training sessions held since the preceding examination.
  - d. Performing any visual inspections deemed appropriate.
  - e. Analyzing the bank's system of security and protection against external crimes. Guidance for this analysis is offered in the Appendix to this handbook.
- f. Determining, through discreet corroborative inquiry of responsible bank officials and review of documentation, whether a security program that equals or exceeds the standards prescribed by 12 CFR 21.4 is in effect and that the annual compliance report and any other reports requested by the OCC have been filed.
9. Review compliance with the Financial Record-keeping and Reporting of Currency and Foreign Transactions Act 31 CFR 103.22, 103.23, 103.33 and 103.34 by:
  - a. Reviewing the Audit Function Questionnaire and the International Supplement in the Internal and External Audits program to determine if the internal auditor is checking procedures for compliance with the Act. (If the bank does not have an internal audit function, ascertain that a program of management reviews or self audits has been established which encompasses the requirements of the regulation.)
  - X b. Reviewing the file of reports submitted (forms 4789 and 4790) and ascertaining that they are properly completed and filed as required by the regulation and bank policy.
  - X c. Reviewing the bank's list of exempt customers to determine that:
    - Its contents conform to the requirements of the regulation (103.22(e)) and that the exemptions appear reasonable.
    - The bank has, in granting exemptions, adhered to its established policy.
  - d. Interviewing operations personnel (tellers, platform officers, selected branch managers, and international division management) to ascertain whether they are sufficiently knowledgeable concerning the regulation and operating procedures to assure compliance. (In those instances where a branch visitation is impractical, selected branch managers may be contacted by telephone.)
  - X e. Reviewing the totals of cash shipped to and/or received from the Federal Reserve Bank (reported on Form MD-115) or correspondent bank during the last six months. If any amount appears high relative to the amount

## Cash Accounts: Domestic and International Examination Procedures

Section 201.3

- the bank has reported on Form 4789 for the last six months, discuss the findings with management.
- X f. Meeting with a senior official or compliance officer and submitting to either of them the Financial Recordkeeping and Reporting of Currency and Foreign Transactions (Form CC 1425-CL) for completion and signature. Explain all "no" answers. Correlate work performed in other areas of examination interest and forward the checklist to the regional office with the examination report, explaining any reported "no" answers. In the absence of any "no" answers retain the checklist in the work papers.
- g. Based on the results of step f, and on an evaluation of the bank's policies and procedures, determine if appropriate operating and auditing standards are in place and document the conclusion in the work papers. If appropriate standards are not in place, perform those verification procedures dealing with compliance with 31 CFR 103.
10. Review tellers' over and short accounts for recurring patterns and any large or unusual items and follow up as considered necessary. Investigate differences centered in any one teller or banking office. Determine whether corrective action has been taken, if required.
11. Determine, by discreet corroborative inquiry of responsible bank officials and review of documentation, whether defalcations and/or mysterious disappearances of cash since the preceding examination have been properly reported pursuant to Interpretive Ruling 7.5225 in the *Comptroller's Manual For National Banks*.
12. Review foreign currency control ledgers and dollar book value equivalents for:
- a. Accuracy of calculations and booking procedures.
  - b. Unusual fluctuations.
  - c. Concentrations.
  - d. Unusual items.
13. Review international division revaluation calculations and procedures if performed by cash account operations staff. (The bank's accounting/auditing department may revalue cash accounts together with other foreign currency ledger and future exchange accounts.)
14. Review the following items with appropriate management personnel (or prepare a memo to other examining personnel for their use in reviewing with management):
- a. Internal control exceptions and deficiencies in, or noncompliance with, written policies, practices and procedures.
  - b. Uncorrected audit deficiencies.
  - c. Violations of law.
  - d. Inaccurate booking of U.S. dollar book value equivalents for foreign currencies.
  - e. Inaccurate revaluation calculations and procedures performed by cash account operations staff.
15. Prepare comments on deficiencies or violations of law noted above for inclusion in the examination report.
16. Prepare a memorandum and update work program with any information which will facilitate future examinations.

*Comptroller's Handbook for National Bank Examiners*  
February 1982

## Cash Accounts: Domestic and International Examination Procedures

Section 201.3

1. Complete or update the Cash Accounts section of the Internal Control Questionnaire.
2. Based on the evaluation of internal controls and the work performed by internal/external auditors (see separate program), determine the scope of the examination.
3. Test for compliance with policies, practices, procedures and internal controls in conjunction with performing the remaining examination procedures. Also obtain a listing of any deficiencies noted in the latest review done by internal/external audit from the examiner assigned to that area of examination, and determine if appropriate corrections have been made.
4. Perform those verification procedures deemed appropriate.
5. Scan the general ledger cash accounts for any unusual items or abnormal fluctuations. Investigate any such items and document any apparent noncompliance with policies, practices and procedures for later review with appropriate management personnel.
6. Obtain teller settlement sheet recap or similar document as of the examination date and agree to the general ledger. Scan for reasonableness and conformity to bank policy.
7. Obtain detailed listings of cash items, including any bank items which are carried in the general ledger under "other assets", agree listings to general ledger balances and scan for propriety and conformity to bank policy.
8. Test compliance with 12 CFR 21 by:
  - a. Selecting teller and banking office cash balance sheets and determining that balances are within currency limits established.
  - b. Selecting bait money and agreeing serial numbers to applicable records.
  - c. Reviewing documentation evidencing training sessions held since the preceding examination.
  - d. Performing any visual inspections deemed appropriate.
  - e. Analyzing the bank's system of security and protection against external crimes. Guidance for this analysis is offered in the Appendix to this handbook.
- f. Determining, through discreet corroborative inquiry of responsible bank officials and review of documentation, whether a security program that equals or exceeds the standards prescribed by 12 CFR 21.4 is in effect and that the annual compliance report and any other reports requested by the OCC have been filed.
9. Review compliance with the Financial Record-keeping and Reporting of Currency and Foreign Transactions Act, 31 CFR 103.22, 103.23, 103.33 and 103.34 by:
  - a. Reviewing the Audit Function Questionnaire and the International Supplement in the Internal and External Audits program to determine if the internal auditor is checking procedures for compliance with the Act. (If the bank does not have an internal audit function, ascertain that a program of management reviews or self audits has been established which encompasses the requirements of the regulation.)
  - b. Reviewing the file of reports submitted (forms 4789 and 4790) and ascertaining that they are properly completed and filed as required by the regulation and bank policy.
  - c. Reviewing the bank's list of exempt customers to determine that:
    - Its contents conform to the requirements of the regulation (103.22(e)) and that the exemptions appear reasonable.
    - The bank has, in granting exemptions, adhered to its established policy.
  - d. Interviewing operations personnel (tellers, platform officers, selected branch managers, and international division management) to ascertain whether they are sufficiently knowledgeable concerning the regulation and operating procedures to assure compliance. (In those instances where a branch visitation is impractical, selected branch managers may be contacted by telephone.)
  - e. Reviewing the totals of cash shipped to and/or received from the Federal Reserve Bank (reported on Form MD-115) or correspondent bank during the last six months. If any amount appears high relative to the amount

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## Cash Accounts: Domestic and International Examination Procedures

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### Section 201.3

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- the bank has reported on Form 4789 for the last six months, discuss the findings with management.
- f. Meeting with a senior official or compliance officer and submitting to either of them the Financial Recordkeeping and Reporting of Currency and Foreign Transactions (Form CC 1425-CL) for completion and signature. Explain all "no" answers. Correlate work performed in other areas of examination interest and forward the checklist to the regional office with the examination report, explaining any reported "no" answers. In the absence of any "no" answers retain the checklist in the work papers.
  - g. Based on the results of step f, and on an evaluation of the bank's policies and procedures, determine if appropriate operating and auditing standards are in place and document the conclusion in the work papers. If appropriate standards are not in place, perform those verification procedures dealing with compliance with 31 CFR 103.
10. Review tellers' over and short accounts for recurring patterns and any large or unusual items and follow up as considered necessary. Investigate differences centered in any one teller or banking office. Determine whether corrective action has been taken, if required.
  11. Determine, by discreet corroborative inquiry of responsible bank officials and review of documentation, whether defalcations and/or mysterious disappearances of cash since the preceding examination have been properly reported pursuant to Interpretive Ruling 7.5225 in the *Comptroller's Manual For National Banks*.
  12. Review foreign currency control ledgers and dollar book value equivalents for:
    - a. Accuracy of calculations and booking procedures.
    - b. Unusual fluctuations.
    - c. Concentrations.
    - d. Unusual items.
  13. Review international division revaluation calculations and procedures if performed by cash account operations staff. (The bank's accounting/auditing department may revalue cash accounts together with other foreign currency ledger and future exchange accounts.)
  14. Review the following items with appropriate management personnel (or prepare a memo to other examining personnel for their use in reviewing with management):
    - a. Internal control exceptions and deficiencies in, or noncompliance with, written policies, practices and procedures.
    - b. Uncorrected audit deficiencies.
    - c. Violations of law.
    - d. Inaccurate booking of U.S. dollar book value equivalents for foreign currencies.
    - e. Inaccurate revaluation calculations and procedures performed by cash account operations staff.
  15. Prepare comments on deficiencies or violations of law noted above for inclusion in the examination report.
  16. Prepare a memorandum and update work program with any information which will facilitate future examinations.

## Cash Accounts: Domestic and International Internal Control Questionnaire

Section 201.4

Review the bank's internal controls, policies, practices and procedures for cash accounts. The bank's system should be documented in a complete and concise manner and should include, where appropriate, narrative descriptions, flowcharts, copies of forms used and other pertinent information. Items marked with asterisks require substantiation by observation or testing.

### Cash on Hand

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- \*1. Do all tellers, including relief tellers, have sole access to their own cash supply and are all spare keys kept under dual control?
  - \*2. Do tellers have their own vault cubicle or controlled cash drawer in which to store their cash supply?
  - 3. When a teller is leaving for vacation or for any other extended period of time is that teller's total cash supply counted?
  - 4. Is each teller's cash verified periodically on a surprise basis by an officer or other designated official (if so, is a record of such count retained)?
  - \*5. Are cash drawers or teller cages provided with locking devices to protect the cash during periods of teller's absence?
  - 6. Is a specified limit in effect for each teller's cash?
  - \*7. Is each teller's cash checked daily to an independent control from the proof or accounting control department?
  - 8. Are teller differences cleared daily?
  - 9. Is an individual cumulative over and short record maintained for all persons handling cash and is the record reviewed by management?
  - 10. Does the teller prepare and sign a daily proof sheet detailing currency, coin and cash items?
  - \*11. Are large teller differences required to be reported to a responsible official for clearance?
  - 12. Is there a policy against allowing teller "kit-ties"?
  - \*13. Are teller transactions identified through use of a teller stamp?
  - \*14. Are teller transfers made by tickets or blotter entries which are verified by both tellers?
  - 15. Are maximum amounts established for tellers cashing checks or allowing withdrawal from time deposit accounts without officer approval?
  - 16. Does the currency at each location include a supply of bait money?
  - 17. Are tellers provided with operational guidelines on check cashing procedures and dollar limits?
  - 18. Is a record maintained showing amounts and denominations of reserve cash?
  - \*19. Is reserve cash under dual custody?
  - \*20. Are currency shipments:
    - a. Prepared and sent under dual control?
    - b. Received and counted under dual control?
  - \*21. If the bank utilizes teller machines:
    - a. Is the master key controlled by someone independent of the teller function?
    - b. Is the daily proof performed by someone other than the teller?
    - c. Are keys removed by the teller during any absence?
  - \*22. Is dual control maintained over mail deposits?
  - 23. Is the night depository box under dual lock system?
  - 24. Is the withdrawal of night deposits made under dual control?
  - 25. Regarding night depository transactions:
    - a. Are written contracts in effect?
    - b. Are customers provided with lockable bags?
    - c. Are the following procedures completed under dual control:
      - Opening of the bags?
      - Initial recording of bag numbers, envelope numbers and depositors' names in the register?
      - Counting and verification of the contents?
  - \*26. Regarding vault control:
    - a. Is a register maintained which is signed by the individuals opening and closing the vault?
    - b. Are time clock settings checked by a second officer?
    - c. Is the vault under dual control?



## Cash Accounts: Domestic and International Internal Control Questionnaire

### Section 201.4

d. Are combinations changed periodically and every time there is a change in custodianship?

- 27. Are tellers prohibited from processing their own checks?
- \*28. Are tellers required to clear all checks from their funds daily?
- \*29. Are tellers prevented from having access to accounting department records?
- \*30. Are teller duties restricted to teller operations?

#### Cash Dispensing Machines

- \*31. Is daily access to the automated teller machine (ATM) made under dual control?
- \*32. When maintenance is being performed on a machine, with or without cash in it, is a representative of the bank required to be in attendance?
- \*33. Are combinations and keys to the machines controlled (if so, indicate controls)?
- 34. Do the machines and the related system have built-in controls that:
  - a. Limit the amount of cash and number of times dispensed during a specified period (if so, indicate detail)?
  - b. Capture the card if the wrong PIN (Personal Identification Number) is consecutively used?
- 35. Does the machine automatically shut down after it experiences recurring errors?
- 36. Is lighting around the machine provided?
- 37. Does the machine capture cards of other banks or invalid cards?
- 38. If the machine is operated "off line," does it have negative file capability for present and future needs which includes lists of lost, stolen or other undesirable cards which should be captured?
- 39. Is usage of an ATM by an individual customer in excess of that customer's past history indicated on a "suspicious activity" report to be checked out by bank management (three uses during the past 3 days as compared with a history of one use per month)?
- 40. Have safeguards been implemented at the

ATM to prevent disclosure of a customer's PIN during use by others observing the PIN pad?

- 41. Are "fish-proof" receptacles provided for customers to dispose of printed receipts, rather than insecure trash cans, etc.?
- 42. Does a communication interruption between an ATM and the central processing unit trigger the alarm system?
- 43. Are alarm devices connected to all automated teller machines?
- 44. For on-line operations, are all messages to and from the central processing unit and the ATM protected from tapping, message insertion, modification of message or surveillance by message encryption (scrambling techniques)? (One recognized encryption formula is the National Bureau of Standards Algorithm.)
- \*45. Are PIN's mailed separately from cards?
- \*46. Are bank personnel who have custody of cards prohibited from also having custody of PIN's at any stage (issuance, verification, or reissuance)?
- 47. Are magnetic stripe cards encrypted (scrambled) using an adequate algorithm (formula) including a total message control?
- 48. Are encryption keys, i.e., scramble plugs, under dual control of personnel not associated with operations or card issuance?
- \*49. Are captured cards under dual control of persons not associated with bank operation card issuance or PIN issuance?
- \*50. Are blank plastics and magnetic stripe readers under dual control?
- 51. Are all cards issued with set expiration dates?
- 52. Are transaction journals provided that enable management to determine every transaction or attempted transaction at the ATM?

#### Cash Items

- \*53. Are returned items handled by someone other than the teller who originated the transaction?
- 54. Does an officer review the disposition of all cash items over a specified dollar limit?
- 55. Is a daily report made of all cash items, and is

→ Cash Accounts: Domestic and International  
Internal Control Questionnaire

Section 201.4

it reviewed and initialed by the bank's operations officer or other designated official?

56. Is there a policy requiring that all cash items uncollected for a period of 30 days be charged off?
57. Do the bank's present procedures forbid the holding of overdraft checks in the cash item account?
58. Are all cash items reviewed at least monthly by the board of directors or an appropriate designee?
- \*59. Are cash items recommended for charge-off reviewed and approved by the board of directors, a designated committee thereof or an officer with no operational responsibilities?

**Proof and Transit**

60. Are individuals working in the proof and transit department precluded from working in other departments of the bank?
61. Is the handling of cash letters such that:
- a. They are prepared and sent on a daily basis?
  - b. They are photographed before they leave the bank?
  - c. Copy of proof or hand-run tape is properly identified and returned?
  - d. Records of cash letters sent to correspondent banks are maintained with identification of the subject bank, date and amount?
  - e. Remittances for cash letters are received by employees independent of those who send out the cash letters?
62. Are all entries to the general ledger either originated or proved by the proof department?
63. Are all entries prepared by the general ledger and/or customer accounts department reviewed by responsible supervisory personnel other than the person preparing the entry?
64. Are errors detected by the proof operator in proving deposits corrected by another employee or designated officer?
65. Are all postings to the general ledger and subsidiary ledgers supported by source documents?
66. Are returned items:
- \*a. Handled by an independent section of the department or delivered unopened to personnel not responsible for preparing cash letters?
  - b. Reviewed periodically by responsible supervisory personnel to determine that items are being handled correctly by this section and are clearing on a timely basis?
  - \*c. Scrutinized for employee items?
  - d. Reviewed for large or repeat items?
67. Are holdover items:
- a. Appropriately identified in the general ledger?
  - \*b. Handled by an independent section of the department?
  - c. Reviewed periodically by responsible supervisory personnel to determine that items are clearing on a timely basis?
68. Does the proof and transit department maintain a procedures manual describing the key operating procedures and functions within the department?
- \*69. Are items reported missing from cash letter promptly traced and a copy sent for credit?
- \*70. Is there a formal system to insure that work distributed to proof machine operators is formally rotated?
71. Are proof machine operators prohibited from:
- a. Filing checks or deposit slips?
  - b. Preparing deposit account statements?
72. Are proof machine operators instructed to report unusually large deposits or withdrawals to a responsible officer (if so, over what dollar amount \$\_\_\_\_\_)?

**12 CFR 21—Compliance Questionnaire**

73. Has a security officer been designated by the board of directors in accordance with 12 CFR 21.2?
74. Has a security program been developed and implemented in accordance with 12 CFR 21.4?
75. Do security devices give a general level of protection that is at least equivalent to the standards described in Appendix A of the regulations?



## Cash Accounts: Domestic and International Internal Control Questionnaire

### Section 201.4

76. Has installation, maintenance and operation of security devices been in accordance with 12 CFR 21.37

77. Do vaults, safes, ATM's, and night depositories meet or exceed the minimum standards described in Appendix A of 12 CFR 21?

#### 31 CFR 103—Compliance Questionnaire

78. Are forms 4789 and 4790 completed and submitted within 15 days?

79. Has the bank established, in writing, formal operating procedures to ensure compliance with the regulation, or otherwise operated under standard nonwritten procedures if the volume of large currency transactions is not significant?

80. Do operating procedures set forth the reporting requirements of the regulation and establish compliance guidelines for large cash transactions and exemptions granted to customers?

81. Does the record retention schedule, at a minimum, include the record retention requirements of the regulation and contain requirements for the maintenance of lists of exempt customers with retail affiliations and customers from whom taxpayer identification numbers have not been obtained?

82. Has the bank established a program of employee education on the requirements of the regulation?

a. Are tellers, through an ongoing training program, informed of the reporting requirements for large cash transactions?

b. Are operations personnel made aware of the current requirements of the regulation and

does management periodically reinforce the importance of compliance?

#### International Division

\*83. Are foreign currency control ledgers and dollar book value equivalents posted accurately?

\*84. Is each foreign currency revalued at least monthly and are profit and loss entries passed to the appropriate income accounts?

\*85. Are revaluation calculations, including the rates used periodically, reviewed for accuracy by someone other than the foreign currency tellers?

\*86. Does the internal auditor periodically review for accuracy revaluation calculations, including the verification of rates used and the resulting general ledger entries?

#### Conclusion

87. Is the foregoing information considered adequate as the basis for our evaluation of internal control in that there are no significant additional internal auditing procedures, accounting controls, administrative controls, or other circumstances that impair any controls or mitigate any weaknesses indicated above (explain negative answers briefly, and indicate conclusions as to their effect on specific examination or verification procedures)?

88. Based on a composite evaluation (as evidenced by answers to the foregoing questions), internal control is considered \_\_\_\_\_ (good, medium or bad). A separate evaluation should be made for each area, i.e., cash on hand, cash items, etc.

## → Cash Accounts: Domestic and International Verification Procedures

Section 201.5

### Cash

1. Immediately upon arrival at the bank, determine the location of all cash, cash items, securities, and nonledger items to be controlled.
2. Establish control over all necessary items (consider the use of seals) and, using appropriate sampling techniques, select funds to be counted and assign personnel to the various funds. There should be no movement of cash or securities into or out of the vault area unless such movement is controlled by an examiner. The examiner-in-charge is to be contacted immediately if there are any movements which are not controlled. Also, all compartments in the vault should be sealed (including lockers reported to contain other than cash) until all items are counted and control is no longer necessary. (Note: Sealing of vaults containing other than cash is to be performed by examiners responsible for those areas.)
3. Inquire if the bank has incoming or outgoing cash shipments and consider confirming such amounts. If bagged items are on hand, note contents without counting and control bags to armored car pick-up, etc., and confirm balances with the recipient on a test basis. This step applies to "Payroll Cash," "Change Fund Cash," "Mutilated Money - Fed Shipments," etc. Also examine, on a test basis, subsequent payments for bagged cash.
4. Obtain a copy of the teller's proof sheets as of the close of business the day of the examination and retain them for the working papers.
- 5. Count and agree cash (both U.S. currency and foreign currency) to the proof sheets. Count foreign currency in separate totals for each currency. If after-hours transactions have been conducted, the debit and credit totals must be included in the reconciliation between actual cash counted and the closing cash figure reflected on the teller's proof sheets. The custodian of the cash and the examiner must both remain with the cash until the verification procedure is completed.
6. Transcribe cash count information to a blank cash sheet and retain for the working papers. Upon completion of the count, obtain the teller's initial on the working paper and release control over the fund. If a material difference is discovered by the examiner, the cash should be immediately recounted by the teller in the presence of the examiner. If the difference is not resolved, an officer should be called in to count the cash and both the officer and the teller should be required to sign the cash sheet reflecting the actual amount of cash counted.
7. Review all after-hours items to ensure their validity and trace the items to their final disposition.
8. Detail all items on the cash sheet, other than cash, found in the cash compartments even though they may not be required in the reconciliation process.
9. Prepare a listing of proof sheets and agree or reconcile the total to the bank's daily statement and to the general ledger as of the examination date. (Note: The bank's daily cash form may be appropriate for this purpose.)
10. Review the teller's proof sheets for the day of the cash count and ascertain that all fund balances are reasonable in relation to operating requirements. Note any fund balances in excess of reasonable amounts in the working papers for subsequent discussion with an appropriate bank official.
11. For each foreign currency held, verify approximate U.S. dollar carrying values by obtaining current bid bank note rates for the foreign currencies on hand. Using those rates, convert each foreign currency into U.S. dollar equivalents. The resulting U.S. dollar values should be verified with the amount shown on the bank's general ledger for reasonableness. The rates at which the bank buys and sells foreign currency will not exactly match the rates used by the examiner because of the different day's rates, shipping charges, insurance, and other costs.
12. Check the accuracy of foreign currency revaluations and that resulting profit or losses are properly posted to appropriate income accounts. (Foreign cash may be revalued along with other foreign currency ledger and future

## → Cash Accounts: Domestic and International Verification Procedures

Section 201.5

exchange contracts by the bank's accounting/auditing department).

### 31 CFR 103—Compliance Procedures

1. Submit the Currency Distribution and Cash Control Center Letter and the Currency Shipment/Distribution Report to the officer in charge of the Center.

If branches ship directly to a Federal Reserve bank or a correspondent institution, submit a copy of the Currency Distribution and Cash Control Center Letter to every such branch.

2. Check the records maintained at the Currency Distribution/Cash Control Center or the branch to ensure that the information in those records agrees with that provided by the officer in charge.
3. Send a Branch Office Letter to every branch.
4. In reviewing the previous information, use the following criteria to select branches for on-site review:
  - a. Branch requests for large denomination currency represent the most significant portion of the branch currency requirements.
  - b. Branch requests for large denomination currency are significantly greater than average branch requirements.
  - c. Branch does *not* ship large denomination currency.
  - d. Branch reports no exempt list.
  - e. Branch manager would not sign the certification contained in the Branch Office Letter.
  - f. Branch is characterized by unusual cash transactions with the Cash Control Center, Federal Reserve bank, or correspondent institution.
  - g. In the absence of significant leads, use sampling on a random basis.
5. Review at the branch office the work of selected tellers within a specific time period. (Recommended time periods are a minimum of five days, preferably 10 days.) In selecting the time period, consider the 15-day time frame allowed for filing forms 4789 and 4790. The selection of tellers should be governed by the

bank's internal procedures. For example, if it is the bank's practice to direct all large currency transactions to specific tellers, concentrate on the work of those tellers.

6. Obtain, for selected tellers, completed cash proof sheets for as many consecutive dates as are practical. From a day-to-day comparison of total \$50 and \$100 bills, determine specific tellers who experienced a significant (\$10,000) fall-off in those denominations that is not supported by their transactions. Those incidents should be reported to the examiner in charge as possible evidence of currency washing.
7. Determine compliance procedures of those tellers selected above by:
  - a. Obtaining and reviewing their documentation for the selected dates.
  - b. Noting any cash-in or cash-out transactions of more than \$10,000.
  - c. When such transactions are discovered, determining the type of transaction and if it was reported. Transactions with non-exempt customers which were not reported should be researched to ascertain if they are truly subject to the regulation.
  - d. Reviewing consecutive transactions which total in excess of \$10,000 to ascertain if they were made by or for one depositor.
  - e. Checking the following transactions:
    - Cashed checks — Items should be traced to ascertain if they are a cash-out of more than \$10,000 or part of a split transaction. Split transactions which do not involve a cash-out of more than \$10,000 should be eliminated.
    - Cash deposits — Any transaction involving the receipt of more than \$10,000 cash.
    - Savings withdrawal — Cash withdrawals of more than \$10,000.
    - Personal money orders or official checks sold — Any sale for more than \$10,000 cash must be reported, even to an exempt customer. Be aware of consecutive items sold. A check of paid items could reveal that they were sold to the same customer.

## → Cash Accounts: Domestic and International Verification Procedures

Section 201.5

- Savings bonds sold or cashed — Transactions involving more than \$10,000 cash.
  - Official checks cashed — Cash-outs of more than \$10,000.
  - Loans — Note teller receipt or pay-out of more than \$10,000 cash.
  - Securities sold or purchased — If the bank acts as agent for an individual and the transaction involves more than \$10,000 cash.
8. Obtain and review the list of exempt customers. Lists which appear inordinately long or contain names of customers the size or nature of whose business would not ordinarily merit exempt status should be discussed with management. If criticism is warranted, the matter should be referred to the regional office.

### Cash Items

1. Prepare (or request bank employees to prepare under our supervision) lists of outstanding items.
2. Agree totals to the daily statement controls and to the general ledger.
3. Using an appropriate sampling technique, select items for review of supporting documentation and request confirmation of payor.
4. Review all cash items selected to determine if they are legitimate, that they are being processed on a current basis, and that they contain no officer, employee or director items.
5. Scrutinize any additional cash items which are not segregated in a control account to ensure their validity.
6. Investigate, through inquiry or other appropriate means, any unusual, stale, or recurring items and satisfy yourself as to their reasonableness or final disposition. All items not in the process

of collection should be transferred to an appropriate non-cash suspense account.

7. Prepare list of items recommended for charge-off and ascertain that appropriate entries are made on the bank's books.
8. Release control of the cash items.

### Clearings

1. Have the bank prepare a schedule of all clearings by bank name and cash letter total. Determine that the combined total agrees to the bank's final recap and to the general ledger.
2. Select a number of individual clearing amounts for confirmation.
3. Prepare and mail a positive confirmation request for each individual item selected. The receiving bank will balance the individual items to the cash letter total and will list any return items or other exceptions. During this process the examiner should be alert for unusual items such as employee checks that have been deliberately misrouted.
4. Place confirmation requests in the related cash letters and maintain control over the cash letters until they are picked up for delivery.
5. Cross-reference the control copies of the confirmations to the schedule noted in step 1.
6. Control all returned (answered) confirmations and investigate any reported differences. Include all confirmations in the working papers and document the disposition of all exceptions.
7. Beginning on the examination date and for a period of 3 business days subsequent to the examination date, obtain all incoming returned items. Review the items and investigate any old or unusual items. Also ascertain whether there are any items which relate to officers, employees, or directors.

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→ Cash Accounts: Domestic and International  
Laws, Regulations and Rulings

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Section 201.6

	<i>Laws *</i>	<i>Regulations†</i>	<i>Rulings‡</i>	<i>OCC Issuances **</i>
Cash—Minimum Security Devices and Procedures		21		
Defalcations by Employees			7.5225	
Financial Recordkeeping and Reporting of Currency and Foreign Transactions		31 CFR 103		BC-49 Supp. 3,4,5 BC-67 BC-99 BC-106

\* 12 USC, unless specifically stated otherwise.

† 12 CFR, unless specifically stated otherwise.

\*\* BC — Banking Circular, EC — Examining Circular.



## Domestic Wire Transfer

### Introduction

Section 410.1

The recent growth of the commercial banking industry accompanied by greater customer demand for services has increased the importance of wire transfer. Wire transfer has evolved from the use of elementary Morse code to sophisticated automated switching operations linking the Federal Reserve System with various governmental agencies and commercial banks. Functions of the wire transfer operation include daily funds transfers, securities transactions and the general communication of information. The average daily transaction volume per bank over the Fed Wire alone is currently 20 percent of total bank assets. In certain large banks, the total daily volume approaches or exceeds the total assets of the institution. Therefore, adequate internal controls and audit procedures should exist to minimize losses resulting from error or fraud. Wire transfer is necessary to the bank's internal operation and provides an important customer service.

Banks may initiate transfers or related messages by mail, telephone and direct access to Fed Wire, Bank Wire or several other telecommunications systems. Size and complexity of operation will determine which method the bank uses. Since speed is the primary reason for many wire transfers, mail requests are infrequent. The majority of banks make transfers and execute Fed funds transactions over the telephone or teletype since their size and volume does not justify maintaining automated systems. However, the tendency to automate the operation is increasing with the advent of inexpensive mini-computers. Large banks often use several wire systems with a separate department responsible for that activity.

By dollar and message volume, the Fed Wire system is the largest currently in use. Federal Reserve members transfer funds, purchase and sell U.S. securities, execute Fed funds transactions and send administrative messages over the Fed Wire. The Fed Wire is a "credit transfer" system, whereby the Fed debits the originating bank's account and credits the receiving bank's account. Banks using the Fed Wire may participate in the Fed's "book entry" method of trading U. S. government securities. The Fed can verify and transfer ownership from one member bank to another by using the computer to make the accounting entries. That process eliminates the issuance of certificates and the physical movement of securities. The

use of the Fed Wire generally involves large dollar transactions.

Increased use of the Fed Wire has prompted the Federal Reserve to include in Regulation J (12 CFR 210) the rules and procedures for wire transfer activities. The expanded regulation (subpart B) defines terminology, explains accounting procedures, discusses the handling of exceptions, and sets time limits on transfers. Individual reserve banks issue operating circulars to provide guidance to member banks.

Other wire transfer systems available to banks are: the Bank Wire, Telex and TWX. Operated by Western Union, they handle smaller transactions involving correspondent bank accounts and correspondent bank balances for the benefit of individuals and corporations. Two other systems, Bank Wire II and SWIFT, are currently being developed. Bank Wire II, a product of Collins Radio Group, is a new fully-automated transfer system that will feature additional capabilities. SWIFT (Society for Worldwide Interbank Financial Telecommunications) is planned as the largest international operation and will soon be in use at many banks across the country.

The ACH (Automated Clearing House) is a wire transfer system available to subscribing banks which currently allows electronic processing of payroll transfers, social security payments and other pre-authorized payments and credits through regional centers. Transactions are processed by recording payment instructions on magnetic tape rather than on checks. Banks believe increased ACH participation and capabilities will greatly reduce the volume of paper currently processed by the banking industry. The Federal Reserve is developing a third subpart to Regulation J which will establish rules and procedures governing the processing of those transactions. As a rule, ACH activities are not handled in the same area as other wire transfer functions.

Banks may be "on line" or "off line" with the wire system depending on the complexity of its operations. On line systems are directly linked to the computer switch or center by a bank terminal or computer. The Fed is on line with many of its members and directly linked (computer-to-computer) with several installations. On line transactions between Federal Reserve banks and regional or money-center

## Domestic Wire Transfer

### Introduction

Section 410.1

banks account for the greatest dollar volume across the country. Increased use of on line systems will help accommodate demands for greater volume, speed and accuracy.

The average dollar volume of individual transactions and the speed at which transfers are completed magnifies the potential for loss resulting from error or fraud. Although a given system may require specialized equipment and trained personnel, similar internal controls can be applied to all.

Initially, a bank must determine the authenticity of the transferror of funds. Telephonic transfer controls might include a "call-back" procedure, whereby an employee of the bank calls a prearranged telephone number to verify the identity of the transferror. Another control might be a unique code provided by the originator and verified by the receiver. Transfer requests are normally documented by the receiver on preprinted forms, which serve as the initial record for audit activities. Tape recording telephone calls is a satisfactory method of documenting transfer requests, but only if the bank notifies the caller that messages are being recorded. However, recording messages may be subject to state or local laws.

Internal controls used to verify the authenticity of incoming wire requests involve the use of "test keys." The test key is the formula used to develop or interpret "test codes" or "test words." Test codes or words consist of a series of numbers signifying different types of information and usually precede the text of the message. As an example, a test code may contain a bank number, the amount of the transaction and a number indicating the day and week of the month. As an additional precaution, many test codes contain a variable (sequence number) based on the number of messages received. A current list of test keys, available only to authorized personnel, should be on file for each customer or correspondent bank. The person receiving the incoming request should not be responsible for verifying authenticity. When not in use, test keys should be kept under dual control.

Banks normally verify signatures or use a call-back arrangement to authenticate transfer requests received by mail. Mail transfer requests may include a test word to provide additional protection for the bank and the customer. When signature verification is required, banks must maintain an up-to-date list and should limit the number of authorized signers to a minimum.

The bank should establish guidelines for types of allowable transfers, especially on transactions involving a third party. Procedures should be in effect to prevent transfers drawn against uncollected funds. Unless pre-authorized credit lines exist, banks should not transfer funds against simple ledger balances. Job descriptions should be well-defined, providing for logical flow of work and adequate segregation of duties. No one person in a wire transfer operation should be responsible for the origination, testing, processing and balancing of a request. The daily balancing process should include a reconciliation of both the number and dollar amount of messages transmitted. Wire transfer personnel should promptly inform other bank departments affected by a transfer of funds so that the proper accounts may be updated. All adjustments required in the processing of the transfer request should be approved by supervisory personnel and the reasons for adjustment adequately documented. Transfer requests "as of" a past or future date should require supervisory approval with the reasons for those requests well-defined.

Only authorized persons should have access to wire transfer machines, code books, account information and terminal facilities. Wire transfer devices should be inactivated during non-operational hours to prevent unauthorized use. Computer programming personnel should not be allowed access to the bank terminals or other sensitive materials nor should terminal operators or other wire transfer operation personnel have access to computer areas or programs.

Considerable documentation is necessary to maintain adequate accounting records and auditing control. Many banks retain logs recording transfer request information, assign sequence numbers to incoming and outgoing messages, and keep an unbroken copy of all messages received on wire transfer equipment. Use of prenumbered forms is also common. At the end of each business day a department employee should compare request forms to the actual transfer to ensure that all transfers were properly recorded.

As banks seek ways to more efficiently move funds across the nation, the continuing development and use of automated systems is inevitable. Therefore, the commercial examiner should evaluate the bank's safeguards at the terminal facilities, calling upon EDP examiners for assistance when bank service corporations or bank computer facilities are involved.

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## Domestic Wire Transfer Examination Objectives

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Section 410.2

1. To determine if wire transfer objectives, policies, practices, procedures and internal controls are adequate.
2. To determine if bank officers and other wire transfer personnel are operating in conformance with established guidelines.
3. To determine the scope and adequacy of the audit function.
4. To determine compliance with applicable laws, rulings and regulations.
5. To initiate corrective action when objectives, policies, procedures or internal controls are deficient or when violations of laws, rulings or regulations have been noted.



## Domestic Wire Transfer Examination Procedures

### Section 410.3

1. Complete or update the Domestic Wire Transfer section of the Internal Control Questionnaire.
2. Based upon an evaluation of internal controls and work performed by internal/external auditor (see separate program), determine the scope of the examination.
3. Test for compliance with policies, practices, procedures and internal controls in conjunction with performing the remaining examination procedures. Also, obtain a listing of any deficiencies noted in the latest review done by internal/external auditors from the examiner assigned "Internal and External Audits," and determine if appropriate corrections have been made.
4. Perform appropriate verification procedures.
5. Obtain or construct an organizational chart and flowchart for the wire transfer area and determine job responsibilities and flow of work through that department.
6. Review the bank's standard form or other written agreements with its customers and vendors and determine whether those agreements clearly define the liabilities and responsibilities of all parties.
7. Review the bank's policies with respect to third party transactions and determine their reasonableness.
8. For transactions involving the Federal Reserve bank and other due from bank accounts, confer with the examiner assigned "Due from Banks" and determine the propriety of any outstanding funds transfer items.
9. Skim suspense or adjustment accounts for any unusual items, abnormal fluctuations or evidence of inefficient operation and agree to departmental control totals and to the general ledger.
10. Skim income and expense accounts related to wire transfer operations for frequency of entries caused by inaccurate execution of transfer requests.
11. By observing space and personnel allocated to the wire transfer area and location of communications terminals, determine whether existing conditions are adequate to provide security.
12. Determine compliance with laws, rulings and regulations pertaining to the wire transfer area by:
  - a. Reviewing previously obtained material and comparing it to Federal Reserve Regulation J, subpart B (12 CFR 210.50 - 210.65).
  - b. Analyzing compliance with the record retention requirements of 31 CFR 103.33, 103.34, and 103.36 by:
    1. Determining if the bank maintains a record of advises, requests or instructions given to another domestic financial institution regarding a transaction intended to result in the transfer of funds of more than \$10,000 to a person, account or place outside the United States for a period of 5 years.
    2. Determining if the bank retains an original or copy of documents granting signature authority over wire transfers from deposit accounts for a period of 5 years.
13. Discuss with appropriate officer(s) and prepare summaries in appropriate report form of:
  - a. Internal control exceptions and deficiencies in, or non-compliance with, written policies, practices and procedures.
  - b. Uncorrected audit deficiencies.
  - c. Violations of law, rulings and regulations.
  - d. The level of understanding by supervisory officers of definitions, terminology, operating arrangements, accounting procedures and time limitations concerning wire transfer operations.
  - e. The operating efficiency and physical security of the bank's wire transfer operation.
  - f. Recommended corrective action when policies, practices or procedures are deficient.
14. Prepare a memorandum and update work programs with any information which will facilitate future examinations.

## Domestic Wire Transfer Internal Control Questionnaire

Section 410.4

Review the bank's internal controls, policies, practices and procedures regarding domestic wire transfer activities. The bank's system should be documented in a complete, concise manner and should include, where appropriate, narrative descriptions, flowcharts, copies of forms used and other pertinent information. Items marked with asterisks require substantiation by observation or testing.

### Signature Card Considerations

1. Does management maintain a current list of bank personnel authorized to initiate transfer requests?
2. Does the bank limit the number of authorized employees?
- \*3. Are authorized employee signature cards kept under dual control?
4. Does the bank maintain a current list or card file of authorized signers for customers who use the bank's funds transfer services?
5. Does the bank limit the number of authorized signers for bank customers?
6. Are customer signature cards maintained under dual control or otherwise protected?
7. Do customer signature cards limit the amount of funds that an individual is authorized to transfer?
8. Does the bank advise its customers to maintain their lists of authorized signers under dual control?
9. Do bank personnel compare the signature on an original mail request with the authorized signature on file?

### Test Key Considerations

- \*10. Are the files containing test key formulas maintained under dual control or otherwise protected?
11. Are only authorized personnel permitted in the test key area or allowed access to computers, teletapes or terminals?
12. Does the bank maintain an up-to-date test key file?
13. Does management maintain a list of those persons who have access to test key files?
14. Are all messages and transfer requests that

require testing authenticated by the use of a test key?

- \*15. Are test codes verified by someone other than the person receiving the initial transfer request?
16. Are call-back or other authentication procedures performed on all transfers that do not have a test key or signature card on file?
17. Do mail transfer requests include a test word as an authentication procedure?
18. Does the bank's test key formula incorporate a sequence number resulting from an agreement between the bank and the customer?
19. Does the bank have procedures in operation for the issuance and cancellation of test keys?
- \*20. Is the responsibility for issuing and cancelling test keys assigned to someone who is not responsible for testing the authenticity of transfer requests?

### Telephone Transfer Requests

21. Has the bank established guidelines for what information should be obtained from a person making a funds transfer request by telephone?
22. Does that information include a test word authentication code?
23. Does the bank limit call-back to transactions over a certain dollar amount?
24. Does the bank maintain a current list of persons authorized to initiate telephonic funds transfers and messages?
- \*25. Does the bank have procedures in effect to prohibit persons who receive telephone transfer requests from transmitting those requests?
26. Does the bank use a call-back procedure that includes a test code authentication to verify telephone transfer requests?
27. Does the bank use devices that record all incoming and outgoing transfer requests?
28. Does the bank advise its customers in written contracts, by audible bleeping signals or by informing the caller that telephone calls are being recorded?
29. Are pre-numbered or sequentially numbered (at a central location after initiation) transfer request forms used?

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## Domestic Wire Transfer Internal Control Questionnaire

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Section 410.4

55. Does the bank prohibit new employees from working in sensitive areas of the wire transfer operation?

### Physical Security

56. Are bank terminal operators or others in wire transfer operations denied access to computer areas or programs?
57. Do procedures prohibit computer personnel from gaining access to bank terminals or test key information?
58. Is the wire transfer department arranged so that access is restricted to teletype, computer terminal or other message preparation equipment?
59. Does wire transfer equipment have physical and/or software locks to prohibit access by unauthorized personnel at all times.

60. Are codes identifying authorized personnel to computers or terminal equipment frequently changed?

61. Does the bank maintain back-up communications systems?

62. Are back-up systems periodically tested by bank personnel?

63. Does the use of back-up equipment require approval by supervisory personnel?

64. Has the bank developed contingency security and internal control procedures in the case of a crisis or emergency?

65. Do operating agreements between bank, vendors and bank customers clearly delineate responsibilities of all parties in case of an emergency?

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## Domestic Wire Transfer Verification Procedures

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Section 410.5

1. Balance incoming transfer requests to completed transaction tickets.
2. Using appropriate sampling techniques, select wire transfer messages from bank records and:
  - a. Determine that messages or transfer requests that require test codes or signature verification are properly authenticated.
  - b. Determine that tickets supporting incoming and outgoing transfer requests agree with entries posted to the Federal Reserve bank, correspondent banks and customer's accounts.
  - c. Determine that a proper explanation has been recorded and approved for rejected or unprocessed messages.
  - d. Review funds transfer messages and determine if those transfers were initiated within individual lines of authority.
  - e. Review, for content, transfer requests forms supporting wire transfer messages. Check to see that the forms contain, at a minimum:
    - The name of person, firm or bank making the request (also specific transferror).
    - The test code authentication (if applicable).
    - The amount.
    - The date.
    - Paying instructions.
    - The sequence number (or space for).
  - f. Review any income and expense items related to the sampled messages and trace the offsetting entries to bank or other customer accounts.
3. Review signature cards and test key files and determine if they contain information on inactive or closed customer accounts.
4. Select items from suspense or adjustment accounts and determine their authenticity.

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Domestic Wire Transfer  
Laws, Regulations and Rulings

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Section 410.6

	<i>Laws*</i>	<i>Regulations†</i>	<i>Rulings†</i>
Transfer of Funds		210 Subpart B	

\* 12 USC, unless specifically stated otherwise

† 12 CFR, unless specifically stated otherwise

# Reports of Examination and Visitation

## Introduction

Section 600.1

### Reports of Examination

The report of examination will be used for all general and specialized examinations. Its primary purpose is to communicate meaningful information effectively to the Office of the Comptroller of the Currency (OCC). In supervising national banks, OCC furnishes the bank with a copy of reports. Thus, the examiner must determine the appropriate section of the report for each finding and recommendation.

The components of the report of examination are:

- Regional Administrator's Letter
- Statistical Data Sheet
- Cover Page
- Index
- Letter to the Board of Directors
- Comment Section
- Appendix
- Confidential Section

Except for the index and regional administrator's letter, the report is completed by the examiner-in-charge and forwarded to the regional office at the conclusion of the examination.

### Regional Administrator's Letter

Whenever a bank's composite rating is 3 or below, regional administrators must communicate with the board of directors through a formal transmittal letter inserted in the report of examination immediately behind the hard cover. For ratings above 3, regional administrators may elect to incorporate a letter for any reason. The first paragraph of the letter must include the following language:

This letter is supplemental to and part of the enclosed (general or specialized) examination report conducted by national bank examiner \_\_\_\_\_, completed on \_\_\_\_\_. Its purpose is to highlight matters in the examination report that require the attention of the board of directors. Since the letter is part of the examination report, its contents are to be treated with the same degree of confidentiality.

The regional administrator's letter is not listed in the index.

### Statistical Data Sheet

The statistical data sheet is prepared as of the examination date and includes data from the preceding

three examinations. Current examination data should be placed in the right-hand column. Certain statistical data required in the sheet may not be readily available from prior examination reports. Therefore, examiners may omit the historical information on certain items if it cannot be obtained easily.

Although certain unavailable information may be eliminated from the sheet, the corresponding lines, with the exception of lines 71-74, must be completed. The following symbols may be used only when information is not provided:

- N/A — applies to information where the dollar value, percentage, ratio or number of the line item is not applicable.
- N/P — applies to information requested on the line which is (or was) not within the scope of the examination. Use of this symbol would occur most often for specialized examinations.
- 0 (zero) — applies to information requested on the line where the dollar value, percentage, ratio, or number has a value of 0 (zero).

The completed sheet will accompany all reports submitted to the regional office and those forwarded to the Washington office. However, it will not be attached to the copy of the report forwarded to the bank.

### Cover Page

The captions on the top of this page will be completed to indicate name and location of the bank, charter number, region, name of examiner, examination date, commencement date and closing date. The examination date will be the "as of" date; that is, the date as of which most of financial information used for the examination is prepared. The examination date will usually be the month-end immediately preceding the commencement date. The commencement date will be the day on which the actual examination commenced and not the date that any separate pre-examination analysis began. In those cases where the pre-examination analysis was performed immediately prior to beginning the examination or concurrently with the examination, the commencement date should be the day on which the examination team entered the bank.



## Reports of Examination and Visitation

### Introduction

Section 600.1

The examiner must indicate whether the examination was a general or specialized examination. See "Specialized Examinations" for description of those examinations. This caption should tie into the first paragraph of the letter to the board.

The remainder of the report cover states the confidential nature of the report and the possible penalties resulting from improper disclosure of the contents. It further states that the contents of the report reflect an examination and not an audit of the bank. The option of the board of directors to request a conference with representatives of the regional office when they are in substantial disagreement with the contents and conclusions of the report is also clearly stated.

The concluding paragraph directs correspondence to the appropriate regional office, to the Washington Office and to the examiner-in-charge.

#### Index

The index is usually completed to accompany copies of the report distributed from the regional office. However, it can be filled in for the pencil copy that is forwarded to the regional office, particularly when numerous supplemental pages are included. The various pages and final index will be numbered in the regional office. When numerous schedules and exhibits are included in the report, the spaces provided should be expanded to permit listing of major items in the index.

#### Letter to the Board of Directors

The letter is mandatory for all reports and should be developed to cover three basic areas:

- Scope of Examination
- Significant Matters Requiring Attention
- Overall Conclusions

It is designed for a free flowing narrative, therefore, the use of captions should be avoided. It is not intended to be an index, and examiners should avoid referring to specific pages.

#### Scope of Examination

The report will be used for the two types of examinations: general and specialized. Those examinations will consist of performing varying degrees of examination and verification procedures. Comments describing the types of examination covered will be somewhat standardized for consistency and brevity.

The following are examples of the types of descriptions that should be used:

- a. A general examination of your bank commenced April 12, 19xx using financial information as of March 31, 19xx. The examination was conducted in accordance with standard examination procedures of the Office of the Comptroller of the Currency (applicable to general examinations of banks with good internal control and/or acceptable internal or external audit procedures where no verification procedures were performed).
- b. Same as (a) with addition of third sentence. Because of the lack of adequate internal control or audit procedures the scope of the examination was extended to include performance of verification procedures in the \_\_\_\_\_ department(s) (applicable to banks with weaknesses in internal control or audit procedures in particular area(s)).
- c. A general examination of your bank commenced on April 12, 19xx. The examination was conducted in accordance with standard examination procedures of the Office of the Comptroller of the Currency. Because the work of the internal audit department (or external auditors, or both) was inadequate, the scope of the examination was extended to include verification procedures as outlined in the *Comptroller's Handbook for National Bank Examiners* (applicable to banks with no internal or external auditors or an unacceptable situation).
- d. A specialized examination of your bank commenced on April 12, 19xx. The scope of the examination was limited to the minimum procedures for specialized examinations as outlined in the *Comptroller's Handbook for National Bank Examiners* (applicable to banks where only minimum specialized examination procedures were performed).
- e. A specialized examination of your bank commenced on April 12, 19xx. The minimum examination procedures outlined in the *Comptroller's Handbook for National Bank Examiners* were extended to include examination procedures in the \_\_\_\_\_ department(s) (applicable to

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## Reports of Examination and Visitation

### Introduction

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Section 600.1

banks where examination procedures have been extended beyond the minimum).

Those examples may be modified to fit a particular examination. However, the examiner should avoid a long detailed listing of various departments and areas where verification procedures were performed.

#### *Significant Matters Requiring Attention*

Immediately following the paragraph on examination scope, the examiner should present in paragraph form those matters which require the attention of the board. They should be arranged in order of importance. All criticisms and comments pertaining to conditions that have resulted or that may result in problems or deficiencies should be positive, objective and fully supported by information contained elsewhere in the report as well as in the working papers. The letter should be a summation, and not a duplication, of comments contained in the various areas of the Comment section where criticism of a department or function may have been made.

The examiner should identify the probable causes of the unsatisfactory conditions. Persons within the bank with whom the criticized areas were reviewed should be identified. Remedial action, discussed or promised, should also be included in the narrative.

Weaknesses in the management of the bank as a whole or in its important principals should be noted in this section. The comments must be objective and based on facts clearly displayed in the comment section and supported in the working papers. Subjective comments should be contained in the confidential section.

#### *Overall Conclusions*

The final portion of the letter should consolidate information received from the various departments in addition to the important matters requiring attention, to arrive at a final conclusion about the overall condition of the bank.

The examiner-in-charge should sign the letter at the end of the last paragraph. If continuation pages are needed, the page containing the signature should be the last page.

#### Comment Section

##### *Supervision and Administration by Directors and Management*

This page contains the examiner's appraisal of the quality and effectiveness of supervision and administration by the directors and management. In general, the examiner will discuss the management process in the bank. When comments on management and the directorate appear throughout the report, they relate to functions or departments such as loan portfolio, investment portfolio and funds management. Whereas, this page is geared to supervision at the board and executive officer level. Comments should be both positive and negative with major criticisms brought forward to the letter to the board of directors.

In discussing the board's role, the examiner might begin with the frequency and effectiveness of meetings, followed by a discussion of the committee structure and its effectiveness. Comments should be included on the director's role in establishing objectives and policy. The examiner might also discuss how policies have been implemented to achieve bank objectives, being certain to note any major inconsistencies in policy. Finally, the examiner should discuss whether reports received by directors contain enough information for them to remain informed and make knowledgeable decisions. The procedures in Section 501 of this handbook will assist in preparation of comments for this portion of the page.

In discussing management, examiners might include brief background information on executive officers. However, the thrust of the comments should be directed toward what the executive officers do and how well they do it. The examiner's remarks should give the reader an understanding of:

- The organization structure.
- Whether the decision process is centralized or departmentalized.
- How quickly problems surface and are resolved.
- The effectiveness of planning and budgeting.



# Reports of Examination and Visitation

## Introduction

Section 600.1

- Plans for management continuity and succession.
- Any other key elements in the management process. Procedures contained in Section 502 of this handbook will assist the examiner in preparing remarks for this part of the page.

The final portion of the page should contain the examiner's overall conclusions on the quality of supervision and administration. In the conclusion, the examiner should give his or her estimate of the ability of the directorate and management to effectively supervise the bank in the future.

### *Computation of Capital and Unimpaired Surplus*

The page provides a calculation of capital accounts for the benefit of the reader, a reference for numerous limitations imposed by various laws and regulations, and guidance to management in the format of the calculation. The schedule also is intended to lessen the necessity of duplicating the calculation for violations of law relating to capital limitations. In addition to the capital structure as of examination date, the schedule can reflect the capital calculations as of three violation dates, if necessary. When the space is not sufficient, the capital structure for a particular date should be embodied in the violations of law and regulation section.

### *Violations of Law and Regulation*

The examiner will itemize all violations involving limitations imposed by the above calculated capital and unimpaired surplus under (a). All other violations will be detailed under (b). The violations in both sections should be listed in numerical sequence. United States Codes should be listed first followed by regulations, Federal Reserve regulations, and any other violations.

Supporting information will be consistent with existing instructions. The examiner should properly detail the violation using name, amount, date of violation, duration, description and approving directors, where appropriate. Remarks should be made regarding recurring violations or developing trends, concentrations of infractions pertaining to one individual or a small group, whether those acts appear intentional, and remedial action taken to prevent recurrence. If any loss has been incurred, so state, and comment as to whether restitution has been made.

The examiner should also state if no violations were discovered. Comments should be made if the policies, practices and procedures in any area are deficient and could lead to violations, such as the failure of directors to obtain total borrower's liability to the bank before approving new advances.

For the reporting of transactions for 12 USC 375(b) and 12 USC 1972, non-conforming loans should be listed as violations of law only if the loans are granted or renewed after March 10, 1979. Extensions of credit made prior to March 10 should be shown as "Non-conforming Assets", and the banks should be encouraged to restructure or eliminate them. Examiners should consult the implementing regulations to 12 USC 375(b) for timetables to bring older extensions of credit into compliance.

### *Summary of Assets Subject to Criticism*

All criticized assets exceeding the cutoff should be detailed on this page. When additional space is necessary, loans should be presented first followed by a listing of other assets subject to criticism. Criticized assets, including loans, that are less than the cutoff are not required to be detailed on this page. However, they may be detailed if, in the judgment of the examiner, their inclusion is appropriate.

All criticized loans must be supported by a writeup or included in the miscellaneous criticized assets page in the appendix, except for small loans classified loss and included on a detailed list given to management. The aggregate of these small loss items should be reflected in the appendix, and a copy of the listing should be placed in the working papers.

This page and the supporting material in the appendix can be structured by branch, division or any method which will clearly reflect the specific department or division that is accountable for the asset. Assets should be listed alphabetically within categories. Criticized contingent amounts should be followed by a (c) and separate totals should be made for outstandings and contingents. Aggregates for each area also should be used to assist the reader in following the report content. Other assets, such as investments, other real estate, cash items and overdrafts should be listed in a similar manner. The flow of detail should not be broken by referring to subsequent pages.

# Reports of Examination and Visitation

## Introduction

Section 600.1

For a specialized examination, the examiner should discuss relevant points based on the scope of the examination. The standard page forms are used in the specialized examination as appropriate. In most cases, the scope of a specialized examination would generate information on the following topics:

- Loan Portfolio Management.
- Reserve for Possible Loan Losses.
- Extensions of Credit to Insiders and Their Interests.
- Investment Portfolio Management.
- Liquidity, Assets and Liability Management.
- Earnings and Capital.
- Future Prospects.

It is likely that the discussion of those topics will be less detailed than in a general examination. This occurs since the primary objective of a specialized examination is to determine changes taking place in the policies and operations of the bank.

### *Loan Portfolio Management*

The narrative for this section is developed by completing the work programs for the various lending areas and reaching an overall conclusion in the section "Loan Portfolio Management." This section of the report should include the following:

- a. Scope of the examination of the lending area.
- b. Evaluation of and general level of adherence to policies, practices, procedures and controls over the lending function.
- c. Quality of the loan portfolio.
- d. Quality of management with respect to the lending function.
- e. Management's awareness of problem loans in the portfolio.
- f. Causes of existing problems.
- g. Remedial actions agreed to by management for correction of deficiencies.

For purposes of illustration, the scope of the examination could read as follows:

The examination of the lending area included an analysis of a sample of all loans, check credit and credit card, through the use of statistical sampling. In addition to the sample items, loans exhibiting an indication of credit weakness were analyzed.

When problems exist in the loan portfolio, the matters detailed within this section should be summarized in the letter to the board. Loan write-ups, credit data and collateral exceptions should be included in the appendix to the report. Additional schedules should also be included in the appendix, if they lend additional support to the narrative.

### *Reserve for Possible Loan Losses*

The schedule serves as a point of reference for the reader. It summarizes activity in the account for the most recent fiscal period as well as the year-to-date, most recent quarter or month-end date.

The comments presented in this section should summarize the conclusions obtained from completing the work programs, pro forma working papers and reviewing the NBSS report. Such comments should include an assessment of the adequacy of the procedures followed by management in determining the provision for possible loan losses and the related reserve necessary. A conclusion that the reserve is not significantly in error need not be expressed. If, however, the examiner-in-charge believes that the reserve is significantly under or overstated, management should be requested to make an appropriate adjustment to correct the situation. The adjustment requested and the reasons therefor also should be included in this section. The working paper used to arrive at the decision may be included in the appendix of the report.

Comments also should be made regarding the charge-off policy, collection efforts and any other matters which affect the reserve. NBSS peer group statistics may be used, where appropriate.

### *Extensions of Credit to Insiders and Their Interests*

This page should contain aggregate totals for the four listed categories for directors, officers, employees and any shareholders who directly or indirectly control 10 percent or more of the outstanding stock of the bank or any individual controlling 10 percent of a corporation holding control of the bank. The page also requires calculation of the percentage of criticized insider loans to total criticized loans.

A listing of all obligations, direct and indirect, should be included in the appendix with the following exceptions:

- Loans to employees.

# Reports of Examination and Visitation

## Introduction

Section 600.1

- Loans for residential property not exceeding \$60,000, provided such property is used by the director or officer.
- Educational loans not exceeding the aggregate amount of \$20,000.
- All other loans not exceeding the aggregate amount of \$10,000.

If no such loans are booked, the comment should be made on this page and no page is needed in the appendix.

A comment should be made in every report regarding interest rates on loans to insiders. Where rates are comparable to rates for similar loans to outsiders of comparable credit standing it should be stated on the pages. When some degree of self-dealing is committed in the form of preferential rates or loans granted on an unsound basis, comments should be made and appropriate facts included or referenced here. Appropriate comments also should be made in the letter to the board of directors.

### *Concentrations*

The page lists for *information purposes only, unless stated otherwise in the accompanying comments*, obligations direct or indirect of the same or affiliated interests, which represent 25 percent or more of the bank's capital structure. (The sum of total equity capital and subordinated notes and debentures as defined in *Instructions for Preparation of Consolidated Reports of Condition and Reports of Income*.) The listing consists of: all types of loans, including overdrafts; cash items; suspense resources; securities; leases; acceptances; advances; letters of credit; all other obligations due to the bank; and loans endorsed, guaranteed or cosigned by related individuals. Concentrations by industry, product line, type of collateral, etc., are detailed where appropriate. The listing also includes due from banks time and demand accounts, federal funds sold and other assets carried on the books of the bank where payment is dependent on one financial institution or affiliated group and the aggregate totals represent 25 percent or more of the bank's capital structure. U.S. Treasury securities, U.S. government corporations and agencies and any assets collateralized by same are not scheduled.

Various other concentrations are listed in the handbook section. When concentrations exist in one general class of borrower and this condition is inherent

in the economy of the community or area where the bank is located, the concentration need not be included on this page, but rather on the loan portfolio management page.

### *Investment Portfolio Management*

This section is prepared in the same manner as loan portfolio management. Information comes from conclusions reached in the investment securities work programs. The examiner should always comment on the quality of the portfolio, maturity distribution, significant appreciation or depreciation in categories or the entire portfolio and whether the bank is complying with related laws and regulations. Bank dealer activities should be included if the bank is engaging in those types of transactions.

### *Liquidity, Asset and Liability Management*

Comments should be made, whether favorable or unfavorable, regarding the present liquidity position and future liquidity requirements, based on information developed during an examination. When liquidity is deemed marginal or inadequate, the liquidity analysis sheet should be included in the appendix.

Policies, practices and procedures should be commented on with emphasis placed on adequacy, compliance and inconsistencies. The examiner should evaluate the overall effectiveness of management's implementation of formal and/or implicit policies of the board of directors.

### *Analysis of Earnings and Capital*

Comments on this page will be similar to those required in the general remarks section of the previous report. Data generated by NBSS will be beneficial to the examiner in commenting on peer group comparisons and developing trends. The examiner also should comment on any policy changes, made or proposed, that have or are anticipated to have an adverse effect on earnings and/or capital.

### *Internal Control*

The findings of internal control considerations and questions contained in the internal control questionnaire should be consolidated in this section and an overall conclusion regarding internal control should be reached. The section should contain significant deficiencies and not be a listing of each internal control question which received a negative answer. The evaluation of internal controls necessitates consider-



# Reports of Examination and Visitation

## Introduction

## Section 600.1

cuss the bank's budgeting and planning process and evaluate management's ability to achieve budgeted earnings and maintain adequate capital levels. Comments on the bank's asset and liability mix and on the existence and cause of any variances between actual and expected results may be appropriate. The examiner should also review management's ability to maintain adequate earnings regardless of economic and regulatory changes.

### *Internal Control*

The findings of internal control considerations and questions contained in the internal control questionnaire should be consolidated in this section and an overall conclusion regarding internal control should be reached. The section should contain significant deficiencies and not be a listing of each internal control question which received a negative answer. The evaluation of internal controls necessitates considering other existing controls that may counteract or mitigate an apparent weakness. For this reason, examiners must use judgment in developing comments regarding internal control deficiencies.

If the examiner considers overall deficiencies minor and has discussed such deficiencies with management, the following comment might be made:

Internal controls are good except for minor deficiencies listed in the appendix section (or except for deficiencies noted in the check credit department which have been discussed with bank management).

When significant deficiencies are noted, the examiner should clearly state the magnitude of the situation, individuals with whom the matters were discussed, and remedial action taken or promised.

### *Internal and External Audit Activities*

Comments should be made on the scope and frequency of internal audits, adequacy of working papers and reports, presentation of findings and follow-up of remedial action recommended. Major factors to be considered by the examiner in evaluating the internal audit function are the competence and independence of the internal auditors and the adequacy and effectiveness of the audit program.

In banks lacking internal audit, the examiner should evaluate the size and scope of bank operations and comment on the need for developing a program of internal audit. In some banks, the designation of a

full-time internal auditor may be impractical. However, if internal and external audit activities are unsatisfactory, the examiner should recommend that the directorate increase the audit activities to reasonable levels.

The section should contain the major areas where verification procedures were performed and for what reasons. If isolated verification procedures were performed because of a deficiency in the audit program, a listing of those procedures should be contained in the appendix. If extensive procedures were performed, the examiner does not need to list all the procedures but rather to refer to the department or area which is deficient or make a general comment on the bank, as a whole.

If the bank employs an external auditor, the examiner should comment on the type and scope of the audit and the reliance placed thereon in determining the scope of the examination. If the audit was limited, adequacy should be considered and recommendations made, where appropriate.

### *Future Prospects*

This section should be developed primarily from findings in the "Overall Conclusions Regarding the Condition of the Bank." The report comment should assess the bank's probable future condition by relating conclusions reached in the other areas of the examination with the bank's market environment and the political and economic climate. Conclusions should include such factors as:

- The level of future earnings.
- Quality of capital and strategic planning.
- The projected rate of growth for earning assets, deposits and premises.
- Intensity of competition.
- Quality of new services.
- Capacity of management.

They should be evaluated on this page in light of their anticipated effect on the bank's condition over the next three to five years. The conclusions reached in the letter to the board will summarize, in most cases, comments in this section.

### *Other Matters*

This section should include appropriate comments relating to other sections in the handbook which are

# Reports of Examination and Visitation

## Introduction

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not specifically covered in the comment section. These would include, but are not necessarily limited to:

- Subsequent events, litigation and other legal matters.
- Bank premises and equipment.
- Other real estate owned.
- Other assets.
- Other liabilities.
- Employee benefits.
- Insurance coverage.
- Related organization.
- Regulatory reports.
- Outside service centers.
- Consigned items and other nonledger control accounts.

A subheading should be inserted for commenting on a particular area. Comments regarding other matters should be on significant items which have or could have a detrimental effect on the bank. Comments and schedules included only as information for the OCC should be contained in Part D of the confidential section.

### Appendix

#### *Consolidated Statement of Financial Position and Consolidated Statement of Income Condensed*

The first page in the appendix is the consolidated statement of financial position and consolidated statement of income condensed. The asset and liabilities accounts have been expanded to give the reader a more detailed picture of the bank's composition. Dollar amounts will be rounded to nearest thousands and the percentage column to nearest tenth percent. Data will be presented on a consolidated basis to include subsidiaries.

The balance sheet will be as of examination date which, in the larger banks, will be preceding month-end figures. Income figures should be year-to-date as of most recent month-end and comparable figures for a similar period of the prior year should be inserted in right-hand column.

The page is used as a reference for determining information, such as the size of the bank, asset/liability mix and improvement or deterioration in net income. The examiner may comment on such matters as source and application of funds, and significant

changes in statement items. In most cases, however, such comments should be in the comment section under Earnings or Liquidity, Asset and Liability Management.

#### *Reconciliation of Capital Funds and Outstanding Debt Capital*

The first schedule reflects changes in total capital funds for the latest three years and for the year-to-date period, most recent month-end. The schedule includes both equity capital and subordinated capital notes and debentures. Figures are in thousands. The schedule serves as a point of reference for analysis of earnings and capital.

Following the reconciliation of capital funds is a schedule giving details on outstanding debt capital. The schedule provides useful information to the reader on the future capital impact of maturing subordinated notes and debentures.

At the bottom of the page is a footnote to the reconciliation of capital funds schedule. That footnote reflects, in tabular form, the number of shares and par value of preferred or common stock outstanding over the latest 3 years and for the most recent month-end. Figures for the latest 3 years are for the end of the year.

#### *Contingent Liabilities and Memorandum Accounts*

The third page in the appendix reflects the bank's outstanding contingencies and certain other information potentially requiring funding at a future date. Use of this page is optional in all examinations. Figures are in thousands. Review of the schedule gives the reader an understanding of potential future liquidity demands and sources. The examiner may comment on any contingent liabilities which may exhibit undue risk to the bank. However, in most cases, such comments should be in the comment section under Liquidity, Asset and Liability Management. The schedule serves to support comments on the bank's funds management.

#### *Trend of Overdue and Renegotiated Loans*

The page illustrates the trend of delinquent obligations within departments and in the entire loan portfolio. It also identifies loans which are considered current as a result of significantly adjusted repayment terms.

The handbook sections establish guidelines for determining delinquent status for various types of loans.

## Reports of Examination and Visitation

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Renegotiated loans are defined as lending relationships in which the borrower has experienced financial difficulties which necessitated restructuring principal and/or interest payment requirements significantly from terms the bank would be willing to accept in a new lending situation. Examples include: an obligation contracted with a 3 percent interest rate at a time when the prevailing interest rates for similar borrowers was 9 percent, and a short-term working capital advance restructured to a 3-year note with token monthly payments.

The page is not intended to be a catch-all for all loans for which the original repayment terms were not met. Carryover crop loans, short-term advances restructured on a reasonable term basis and installment loans with isolated extensions are specifically excluded. Examiners should use their judgment to determine those loans which should be included in this category. The intent of the page is to accurately reflect the delinquent status of the loan portfolio. The separate caption "Renegotiated" is intended to provide additional insight into the true delinquent status by including loans which would otherwise be excluded as they are legally and contractually current. A particular loan should not be included in both categories. A renegotiated loan should be shown as past due if the loan has reverted to a delinquent status.

#### *Listing of Credit to Insiders and Their Interest*

This page will be used for the detailed information relating to the Extension of Credit to Insiders and Their Interest page in the comment section.

#### *Assets Subject to Criticism*

This page is the same as page 7 in the old report, except that the past-due column has been eliminated and "Assets" rather than "Loans" is used in the heading. Delinquent status should be embodied in the write-up. The page can be used for assets other than loans. It will support and provide detail for the related page in the comment section and will be used when larger loans, leases, etc., are criticized.

#### *Miscellaneous Criticized Assets*

The page supplements the previous page, Assets Subject to Criticism, and its inclusion in the report is optional. The examiner uses this page to detail smaller criticized assets (those below 1 percent of total capital), including loans, investments, other real estate owned, cash items, overdrafts, accrued inter-

est and miscellaneous assets. If management disagrees with the criticism of an asset, the examiner should use the Assets Subject to Criticism page with appropriate write-up, regardless of size. The page is constructed for the examiner to explain the reason for criticism by marking the appropriate column. Amounts shown are in dollars. When assets are aggregated, for example, installment loans classified according to the uniform policy, use the notation "List Furnished Management." Each category of asset should be separately totalled and carried forward to the "Summary of Assets Subject to Criticism" page.

#### *Other Real Estate Owned Subject to Classification*

The page should be used only for other real estate owned subject to classification. Working papers should contain information on all significant parcels of other real estate. General comments regarding amounts, liquidation efforts and policies should be contained in the comment section under Other Matters.

#### *Loans Not Supported by Satisfactory Credit Information and Collateral Exceptions*

These pages should be used to detail exceptions. When exceptions are material, in the aggregate, comments should be made under Loan Portfolio Management as well as in the letter to the board of directors.

#### *Other Schedules or Exhibits*

The examiner may include in this section any schedules or exhibits developed during the examination, including pro-forma working papers. Schedules and exhibits should be used when a point made in the comment section could be subject to differing interpretations or could be illustrated more easily by utilizing those devices.

#### *Acknowledgment Page*

This page will be attached, in the regional office, to the copy of the report of examination forwarded to the bank. It indicates that each director or member of a properly designated committee has personally reviewed the contents. The examiner should ascertain during subsequent examinations that all directors or committee members have signed the report.

The signature of committee members will suffice only if the committee includes outside directors and a resolution has been passed by the full board delegating the review to such committee. The examiner should



# Reports of Examination and Visitation

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determine that the committee adequately reports significant matters contained in the report to the full board.

### Confidential Section

The confidential section should set forth matters requiring the prompt attention of senior OCC personnel, such as:

- Suspected violations of law uncovered during the examination reported or to be reported to the appropriate OCC officials or other regulatory and enforcement agencies.
- Critical comments relating to senior bank officers which may require official remedial action by the OCC, such as the threat of cease and desist order or officer removal.
- Other critical comments regarding major problems noted during the examination which require remedial actions, but on which the bank has failed or refused to take appropriate corrective action.

This section also should contain additional data deemed necessary to the operation of the OCC, such as financial information of related organizations, schedules prepared by the bank, and subjective comments which cannot be supported by fact in the comment section. The examiner should include a description of the bank's ownership under the caption "Other Information Deemed Beneficial to OCC." The description should contain a listing of large shareholders (5 percent or more of capital stock, except in large banks where it may be desirable to lower the percentage), the number of shares outstanding, a calculation of the bank's adjusted book value per share, the current market price, recent trade activities and comments about the financial responsibility of any controlling group. If the bank is in poor condition or threatened with a capital impairment, the examiner should estimate the ability of large shareholders, directors or possible outside sources to purchase additional capital stock or otherwise aid the institution.

Information requested by the Washington office will be included in this section. Regional administrators also may request information germane to a particular region and this data could be transmitted in this section. The appendix to this chapter of the handbook contains a checklist of attachments and miscellaneous information requested by the Comptroller.

The last page in the confidential section is a listing of directors and officers. The captions are self-explanatory. All directors, excluding honorary directors, should be included. A listing of officers is left to the examiner's discretion; however, all executive officers as defined in 12 CFR 11.2(o) should be listed. Years in present position applies to functional area of responsibility and not to the specific title.

### Reports of Supervisory Visitation

Supervisory visitations are visits by examiners to banks for any reason other than a general or specialized examination. They may vary from a simple inquiry on a single subject requiring a minimum amount of time to a detailed investigation requiring substantial time. As such, OCC does not prepare formal reports for all supervisory visitations.

However, one situation occurs frequently enough to require both a formal report and uniform procedural guidelines. OCC may visit a bank with serious problems frequently to monitor its progress in correcting those problems. The most common situation is when the problems include substantial criticized assets and inadequate liquidity. In that case, the examiner files a formal report. The report includes:

- The Statistical Data Sheet
- Letter to the Board of Directors
- Comments on Criticized Assets
- Directors' Signature Page
- Confidential

The Statistical Data Sheet should contain only those figures pertaining to the scope of the visit.

The Letter to the Board of Directors is the most important page. Its format should be narrative. In the letter, the examiner should:

- Summarize improvement or deterioration since the last examination or visitation.
- Address any new areas of concern.
- Make appropriate recommendations for further improvements.
- Discuss management's performance or lack thereof in correcting previously identified problems.
- Discuss substantial noncompliance with any enforcement actions.

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## Reports of Examination and Visitation

### Introduction

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The Comment on Criticized Assets page should contain all assets criticized at the previous examination or visitation. The page is structured in schedule format. The columns include name and comments, amount previously criticized and amount criticized at this visitation. Comments on previously criticized assets should be brief and cover only significant changes. The examiner should also list newly criticized assets and briefly comment on the reasons for criticism.

The confidential page should contain the same type of information as in a report of examination.

For all other supervisory visitations, the regional administrator or the appropriate OCC department head will decide whether a formal report is written. If a formal report is not used, the examiner will communicate with OCC via memorandum. A copy of all formal reports of visitation will be provided to the bank. Examiner memoranda will not.



SECTION V

# MONEY TRANSFER REQUEST

☐ FOREIGN CABLE TRANSFER

☒ WIRE & MONEY TRANSFER

ATTENTION: Forward original to above department, checked ☐

AMOUNT US\$ 15,000

FOREIGN:

RATE:

CABLE or WIRE to: (giving bank, account to be credited, beneficiary, addresses, message if any)

☐ Direct Telex

☐ Full Rate

☐ Night Letter

NAME

Account Number

Person to be advised

ORDER OF: (as included in message):

Individual Sending Messages (Customer)

REMITTER: (name, account to be charged, address):

Generally the same as individual designated by order of Customer

I (We) accept conditions on reverse side

Customer

Authorized Signature

Date

BRANCH NO:

BRANCH TEST: Customer  
Branch Code or Test

ORIGINATED BY:

WIRE TRANSFER: X4725, 4726

FOREIGN CABLE: X1060, 1061

TELEPHONED TO:

Branch Completos

VED BY: Wire Department  
and Telephone Extension

TIME: At Wire Department

TIME:

DATE:

DATE:

V-1

US\$:

CORRESP.

BANK CHGE.:

SUBTOTAL:

COST:

COMMISSION:

TOTAL:

#### CONDITIONS GOVERNING THE ISSUANCE OF A FOREIGN CHECK

Such check shall be presented promptly to the drawee for payment and, if drawn in a currency other than that of the place of payment as indicated thereon, it shall be payable at the buying rate of the drawee for checks of that currency on the date when payment is effected unless the holder thereof shall then arrange otherwise with the drawee and shall pay all charges of the drawee in connection therewith.

Should such check not be paid by the drawee and a refund be requested, we will, upon surrender to us of the original of the check duly endorsed and all outstanding counterparts thereof, and subject to any licensing requirements then applicable thereto, pay to the holder of the check its face amount in United States Dollars at our buying rate for the currency in which drawn on the date when refund is made or, at our option, we will forward appropriate instructions by mail, or otherwise in our discretion, to the drawee to hold the face amount of the check at the disposal of the holder thereof, and when we shall have so paid or instructed we shall have no further liability with respect to said check.

#### CONDITIONS GOVERNING THE TRANSFER OF FUNDS BY MAIL OR CABLE

If the transfer is of currency other than that of the country to which it is to be transferred, it shall be payable to the payee in the currency of the said country at the then buying rate of our Branch or Correspondent for the currency transferred, unless the payee arranges otherwise with our paying Branch or Correspondent and pays all its charges in connection therewith. Relative to any transfer by mail or cable, we may make use of any of our Branches or Correspondents and we shall be without liability for any (a) acts or failures to act (inclusive of any failure to identify to payee) on the part of any such Branch or Correspondent, or (b) failure of the funds to reach the payee. Furthermore, we may send any message relative to the transfer in explicit language, code or cipher and shall not be liable for errors, delays or defaults in the transmission of any such messages by telegraph, cable, wireless, foreign governmental telegraphic services and/or by letter, postal remittance by the post office of this or any foreign country, or by any express company, or for any total or partial suspension of any such means of transmission.

In event no payment of the amount involved shall have been made by our Branch or Correspondent and you shall have requested a refund, we will endeavor to notify our Branch or Correspondent to cancel the transaction and upon receipt by us of confirmation of such cancellation we will subject to any licensing requirements then applicable thereto, refund the amount of the transfer to you, less our expenses and those of our Branch or Correspondent; provided, however, that it shall be optional with us as to whether refund will be made here (a) in United States Dollars at our buying rate for the said foreign currency on the date of refund, or (b) in the foreign currency of the transfer, or (c) by instructing our Branch or Correspondent to hold the said foreign currency for your account and risk. In no event, however, shall we be under any obligation to effect any refund on account of said transfer unless and until funds provided by us abroad for its payment shall have been made freely available to us.

(over)

# AMERICAN SECURITY BANK, N. A.

Computer Retrieval  
number needed to  
retrieve details of  
the transaction

## DOMESTIC MONEY TRANSFER FORM

TO(BANK) <u>XYZ Bank</u>			INDEX NO. <u>1028</u>
			DATE of Transaction
			ACCT. NO.
\$ <u>1,000,000.00</u>	____ NAST	FRB ABBR.	ABA American Bankers Association Number <u>XYZ</u>
OUTGOING Bank wire TEST CODE Code	VALUE DATE	CHF	ANALYSIS WAIVE CHARGE
DEBIT OUR/YR ACCOUNT	PHONE	VIA FRB	TO <u>XYZ Bank</u>
CREDIT/PAY/INFORMATION <u>Account number 007 for Joe Smith</u>			

### BENEFICIARY

### ADVISE

### REMITTER

<u>GARY Johnson (Individual Directing American Security Bank to wire transfer funds to XYZ Bank to Account 007)</u>			
DEBIT <u>Johnsons' Account</u>	BRANCH <u>(A)</u>	CUSTOMER If TEST Initiated by	BRANCH NO. <u>42</u>
ACCOUNT NO. <u>At American Security Bank</u>	TEST		
NAME <u>GARY Johnson</u>	INVESTMENT MATURITY TODAY		
STREET ADDRESS <u>6702 E. 17th St.</u>	\$		
	AV. BALANCE \$ <u>75,000</u> for Account 007		
	BK. BALANCE \$ <u>76,500</u> - Current Balance <u>At</u> 007		
CITY STATE ZIP <u>Washington D.C.</u>	INCOMING WIRE		BKW Bank wire FF Fed Funds
REQUESTED BY <u>(B)</u>	RECEIVED BY <u>Person in Wire Room</u>	VERIFIED BY <u>Superv. Wire Transfer Room</u>	GOVT CHECK
PHONE NO. OR EXT. <u>Telephone # of (B)</u>	EXT. TIME	BAL CHECK BY	APPROVED BY - PER
CALL-BACK TO	EXT. TIME	CALL-BACK BY	EXT. TIME SEQ. NO.

ADDITIONAL INSTRUCTIONS TO  
MONEY TRANSFER DEPT:

REQUIRED INFORMATION ☐ OPTIONAL INFORMATION ☐ WILL BE COMPLETED BY MONEY TRANSFER ☐

### FOR INTERNAL USE OF MONEY TRANSFER ONLY

20.177

Test Code if transaction initiating wire transfer <sup>was</sup> from  
one of American Security's Branch Offices  
Person in Branch office calling in to wire office with instructions

WIRE TRANSFER RECORDS

AVAILABLE AT BANKS

RECORDS RELATING TO WIRE TRANSFER ARE USUALLY FILED BY DATE AND AMOUNT FOR QUICK REFERENCE.

BASIC INFORMATION AVAILABLE FOR EACH WIRE TRANSFER:

TRANSACTION NUMBER, NAME OF ACCOUNT CHARGED,  
IDENTITY OF BANK WIRE TRANSFER WAS DIRECTED TO,  
THE IDENTITY OF THE ACCOUNT TO BE CREDITED AT  
THE RECEIVING BANK, AMOUNT AND DATE OF THE  
TRANSACTION.

SECTION VI

OBTAINING OF FINANCIAL  
INFORMATION FROM U.S.  
TREASURY DEPARTMENT

• Enclosures: Airtel from Director to Albany, dated 6/28/79, Treasury Forms 4790, 4789, forms 90-22.1, sample of communication to HQ and sample of printout from Treasury in Response to FBI Request.

Most if not all criminal activity is motivated by a desire to accumulate money. Consequently a key element in the proof of a crime is to establish that funds were transferred illegally to the accused. Establishing the transfer of such funds will assist in proving criminal intent and certainly has great impact on a jury. The ability to establish where an accused has secreted cash can become a critical element of any criminal investigation. Consequently being cognizant of the various tools available to the investigator to trace funds will hopefully add to the success of his investigative efforts. The purpose of this memoranda is to set forth for investigative personnel in the New York Division a provision of the Currency and Foreign Transaction Reporting Act (CFRA) which creates a means by which hidden or unknown bank accounts of subjects may be discovered.

There are basically three areas that the CFRA could be of benefit to the Federal Bureau of Investigation. The first relates to transfers by individuals or businesses of cash (currency) not checks in excess of \$10,000. The second concerns the transfer of amounts in excess of \$5,000 either currency or monetary instruments physically transported, mailed or shipped from within the United States to outside the United States or vice versa. A third area concerns Information Forms 4789 Currency Transaction Report, and Form 4683 U.S. Information Return or Foreign Bank, Securities and Other Financial Accounts. Both of the above forms are furnished as attachments for your use and information.

There are a number of investigative areas within the jurisdiction of the FBI that lend themselves to the utilization of information maintained by Customs that can be obtained via CFRA request as follows:

1) Narcotics Investigations - Deposits of funds generated from illegal narcotics transactions.

2) Planned Bankruptcies - In these cases large amounts of cash are often withdrawn. The determination that principals of the bankrupt have deposited large sums in hidden bank accounts could be a crucial piece of evidence. In this regard records maintained by Customs could reflect transaction, ie deposits of \$10,000.00 or more made by principals of the bankrupt anywhere in the United States. Secondly, if the money were physically taken out of the U.S. or mailed outside the U.S., it is possible that Customs could also have a record of that transaction.



3) Organized Crime Investigations - A request for financial information on companies and individuals could lead to the discovery of additional hidden business operations utilized by Organized Crime members or result in substantive evidence being developed in on-going Organized Crime investigations.

4) Bribery Investigation - A key to such investigation is establishing how cash was generated for the payoff and then subsequent transfer of the cash to the public official. Obviously, discovery of hidden bank accounts through the Customs request could prove invaluable in this area.

5) Major Business Frauds - In these cases large amounts of cash are transferred from victim to con-men who then draw the money out of their accounts in cash and redeposit the funds at a bank known only to them in another part of the country or another part of the world. Here again Custom records that would make possible the discovery of such hidden bank accounts could prove invaluable in making the case.

6) Extortion - Kidnapping - Utilization of the information maintained by Customs could result in discovery of where ransom money was deposited assuming you have suspects. If you have no suspects it is possible for Customs to access records of all financial institutions in a particular area looking for suspect deposits of greater than \$10,000.00.

In summary the Customs Computerized Data Base on Financial Transaction can be of great value in (1) discovering hidden bank accounts; (2) establishing substantive evidence where a particular transfer of funds on a particular date is of critical importance, and (3) in developing lead information on other business and financial interest that may constitute important circumstantial evidence.

What information is available from Customs pursuant to FBI request: 1) An IBM printout setting forth all transfers of more than \$10,000 in cash, what bank was involved, where the bank is located. 2) A copy of Form 4789 Currency Transaction Report which sets forth among other things a) identity of the person who conducted the transaction, b) Social Security Number, c) Address, d) Business or profession, e) Person or Organization for whom the transaction was completed and identifying number, f) Description of transaction, amount and date, g) Details of check if check was part of the transaction, h) Type of identification presented at the bank handling the transaction. 3) Form 4790 Report of International Transportation of Currency or Monetary Instruments which contain such information as DOB, Passport number, Name, Address, type monetary instrument, or amount of money brought into the country or out of the country. 4) Form 90-22.1, US Information Return on Foreign Bank, Securities and other Financial Accounts (see attachment for information on this return).

The procedure to be followed in order to obtain a computer print out on all cash transactions exceeding \$10,000 or information relating to \$5,000 or more, International Transportation of Currency or Monetary Instruments is basically a short airtel to the Bureau. The details needed in the airtel are set forth in attached copy of Airtel to Albany, dated 6/28/77, and a sample airtel request for your assistance. Also a copy of the Bureau response is enclosed to demonstrate the type of information you will receive.

TO: DIRECTOR, FBI

FROM: ADIC, NEW YORK (File #)

SUBJECT: ET AL  
RICO; MF; FBW; ITSP (A)  
(OO: NY)

ReButel to Albany, dated 6/28/79.

In accordance with re airtel, Bureau is requested to receive treasury forms as follows:

- (1) Form 4789-Currency Transaction Report.
- (2) Form 4790-Report of International Transportation of Currency of Monetary Instruments.
- (3) Form 90-22.1-Report of Foreign Bank-Securities and other financial accounts.

The information contained on any such forms will be relevant to the efforts of the FBI, NYO, in tracing loan proceeds fraudulently obtained by various subjects

This is a criminal investigation into an alleged violations of Title 18, USC, Sections 1962 (Racketeering), 1341 (Mail Fraud), 1343 (Wire Fraud) and 2314 (Interstate Transportation of Stolen Property).

NY

Information is requested on the following individuals  
and corporations:

Name:  
Address:

Name:  
Doing Business As:

Name:  
Date of Birth:  
Place of Birth:  
Nationality:  
Address while in  
the United States:  
Known bank accounts:

Name  
Address

Known Bank accounts

Name  
Address

Name  
Date of birth  
Place of birth  
Nationality  
German Passport  
Number  
Permanent Address

NY

Name  
Date of birth  
Place of birth  
Address

Name  
Address

Name  
Address



# Currency Transaction Reporting Requirements and Instructions for Completing Form 4789, Currency Transaction Report (31 C.F.R. Part 103)

When any person engages with a financial institution in a currency transaction of more than \$10,000, the financial institution must record the identity of the person or persons involved and file a report with the Internal Revenue Service within 15 days.

This requirement arises out of the Currency and Foreign Transactions Reporting Act which was enacted as Title II of Public Law 91-508. Regulations were adopted on April 5, 1972, with an effective date of July 1, 1972 (37 F.R. 6912 (1972)). These requirements were revised effective July 7, 1980 (45 F.R. 37818 (1980)).

Various provisions of the regulations are summarized below. For the full text of the regulations, see Part 103 of Title 31, Code of Federal Regulations.

## Who Must File

(31 C.F.R. section 103.22(2))

Every financial institution must file a report of each deposit, withdrawal, exchange of currency or other payment or transfer, by, through, or to that financial institution, that involves a transaction in currency of more than \$10,000. The reports must be made on forms prescribed by the Secretary, and all information called for in the forms must be given.

## Reporting Form to be Used

(31 C.F.R. section 103.25(a))

The Secretary has prescribed Form 4789, Currency Transaction Report, to make the required report.

## Reports of Certain Transactions not Required

(31 C.F.R. section 103.22(b)(1))

Except as otherwise directed in writing by the Assistant Secretary of the Treasury (Enforcement and Operations), this section shall not: (1) require reports of transactions with Federal Reserve Banks or Federal Home Loan banks; (2) require reports of transactions between domestic banks; or (3) require reports by nonbank financial institutions of transactions with commercial banks.

## Exemptions to the Reporting Requirements

(31 C.F.R. sections 103.22(b)(2), (c), and (f))

Except as otherwise directed in writing by the Assistant Secretary (Enforcement and Operations), a bank may exempt from the reporting requirement of this section the following:

1. Deposits or withdrawals of currency from an existing account by an established depositor who is a United States resident and operates a retail type of business in the United States. For the purpose of this subsection, a retail type of business is a business primarily en-

gaged in providing goods to ultimate consumers and for which the business is paid in substantial portion by currency, except that dealerships which provide automobiles, boats or airplanes are not included and their transactions are not exempt from the reporting requirement of this section.

2. Deposits or withdrawals of currency from an existing account by an established depositor who is a United States resident and operates a sports arena, race track, amusement park, bar, restaurant, hotel, check cashing service licensed by state or local governments, vending machine company, or theater.
3. Deposits, or withdrawals, exchanges of currency or other payments and transfers by local or state governments, or the United States or any of its agencies or instrumentalities.

4. Withdrawals for payroll purposes from an existing account by an established depositor who is a United States resident and operates a firm that regularly withdraws more than \$10,000 in order to pay its employees in currency.
- No other types of businesses may be exempted from the reporting requirements except for those shown in (1) through (4) above, unless authorized in writing by the Assistant Secretary (Enforcement and Operations). If a bank believes that circumstances warrant an exemption not provided for above, the banks may apply for approval of an exemption by writing to:

Exemption Staff  
Room 1134  
Office of Enforcement and Operations  
Department of Treasury  
Washington, D.C. 20220.

In each instance where a transaction is exempted (1. through 4. above), the transaction must be in amounts which the bank may reasonably conclude do not exceed amounts commensurate with the customary conduct of the lawful, domestic business of that customer, or in the case of transactions with a local or state government or the United States or any of its agencies or instrumentalities, in amounts which are customary and commensurate with the authorized activities of the agency or instrumentality. This section does not permit a bank to exempt its transactions with a nonbank financial institution. (See Definitions, sections 1(h) through (k) for descriptions of nonbank financial institutions.)

Banks must maintain a record of each exemption granted. The record must include the name, address, type of business, taxpayer identification number and account number of the customer. The record must also specify the type of transaction(s) exempted and the dollar limit of

each type of exemption. When requested by the Assistant Secretary (Enforcement and Operations), a bank shall provide, within 30 days, a report of all exempted customers. The report must include all of the above information for each customer.

## Where to Get Form 4789

(31 C.F.R. section 103.25(d))

You can get the form from most Internal Revenue Service district offices.

## When and Where to File

(31 C.F.R. section 103.25(a))

Form 4789 is due by the 15th day after the date the transaction occurred and should be mailed to the Internal Revenue Service Center, Ogden, UT 84201, or hand carried to your local IRS office.

## Identification Required

(31 C.F.R. section 103.26)

Before completing any transaction for which a report is required, the financial institution must verify and record the name and address of the person making the transaction and the identity, account number, and any taxpayer identifying number of the person for whose account the transaction is to be effected. The identity of aliens must be verified by passport, alien identification card, or other official document showing foreign nationality or residence. In other cases, identity may be verified by a document normally acceptable as identification when cashing checks; for example, a driver's license or credit card. In each instance, the method used to verify the identity of the customer must be recorded on the report.

## Definitions

(31 C.F.R. sections 103.11 and 103.41)

1. **Financial institution**—Each agency, branch, or office within the United States of any person doing business in one or more of the capacities listed below:
  - a. a commercial bank or trust company organized under the laws of any State or of the United States;
  - b. a private bank;
  - c. a savings and loan association or a building and loan association organized under the laws of any State or of the United States;
  - d. an insured institution as defined in section 401 of the National Housing Act;
  - e. a saving bank, industrial bank or other thrift institution;
  - f. a credit union organized under the laws of any State or of the United States;

g. any other organization chartered under the banking laws of any State and subject to the supervision of the bank's supervisory authorities of a State.

h. a person who engages as a business in dealing in or exchanging currency as, for example, a dealer in foreign exchange or a person engaged primarily in the cashing of checks;

i. a person who engages as a business in the issuing, selling or redeeming of traveler's checks, money orders, or similar instruments, except one who does so as a selling agent exclusively, or as an incidental part of another business;

j. a licensed transmitter of funds, or other person engaged in the business of transmitting funds abroad for others;

k. a broker or dealer in securities;

l. each agent, agency, branch or office within the United States of a foreign bank.

2. **Currency**—The coin and currency of the United States or of any other country, which circulate in and are customarily used and accepted as money in the country in which issued. It includes United States silver certificates, United States notes and Federal Reserve notes, but does not include bank checks or other negotiable instruments not customarily accepted as money.

3. **Person**—An individual, a corporation, a partnership, a trust or estate, a joint stock company, an association, a syndicate, joint venture, or other unincorporated organization or group, and all entities cognizable as legal personalities.

4. **Transaction in Currency**—A transaction involving the physical transfer of currency from one person to another. A transaction in currency does not include a transfer of funds by means of bank check, bank draft, wire transfer, or other written order that does not include the physical transfer of currency.

5. **\$10,000**—An amount stated in United States dollars also means the equivalent in any foreign currency.

6. **United States**—The various States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States.

#### **Penalties**

(31 C.F.R. sections 103.47 and 103.49)

Civil penalties not to exceed \$1,000 are provided for each currency transaction report not filed or for each incomplete or inaccurate report filed. Financial institutions and their employees may be also subject to criminal prosecution for willful failure to comply with the recordkeeping and reporting requirements, or for willfully submitting a report that contains false or misleading information. Depending on the gravity of the offense, criminal penalties may range from imprisonment of up to 5 years, a fine of up to \$500,000, or both, for each offense. Currency transaction reports are useful in discovering offenses that may have been committed against the United States. Attempts to circumvent required filings may be construed as aiding and abetting such offenses.



# Supplemental Instructions for Completing Form 4789 Currency Transaction Report

(The item number below corresponds to the circled number on the exhibit Form 4789)

1. For all currency transactions except mail or night deposits, Part I must be completed. Enter the full name, permanent address (including ZIP code), and social security number (000-00-0000) of the individual who entered the financial institution to conduct the transaction. (Enter P.O. Box number(s) after the street address.) For armored car services licensed by a state or local government, provide only the name and address of the armored car service company. All other couriers or messengers must be fully identified. For mail or night deposits, write in "U.S. Mail" or "Night Deposit" in Part I and check the appropriate box in Part IV.
- 1a. The business, occupation, or profession of the individual who entered the financial institution to conduct the transaction in currency should be shown, for example, secretary, carpenter, attorney, etc. (Do not use non-descriptive terms, such as "self-employed", "merchant", "business-man", etc.)
2. If the individual is nonresident alien, or has no U.S. address, enter his or her complete foreign address, including country. If the individual has no social security number, enter "NONE" in the block for social security number.
3. All individuals (except employees of armored car services) conducting a currency transaction for themselves or for another person, must be positively identified. For U.S. citizens, a driver's permit or any other written identification document acceptable to the financial institution in normal check cashing operations must be requested and inspected, and the identification number recorded in this part. For an alien, his or her passport, alien ID card, or other official document showing nationality or residence must be inspected. It is necessary that the identifying data be recorded on the form in the "Method of verifying identification" section of Part I.
4. If the individual in Part I is conducting the currency transaction for himself or herself, do not complete Part II. In all other cases, including mail or night deposit transactions, enter in the appropriate boxes of Part II the full legal name, permanent address (including ZIP code), and taxpayer identification number of the individual or organization for whom the currency transac-

tion is being conducted. Enter only the social security number (000-00-0000) of the individual or Federal employer's identification number (00-0000000) of the organization in the identification number box. If the individual or organization is foreign and has no social security or employer's identification number, enter "NONE" in the box for identifying number.

- 4a. The business, occupation, or profession of the individual or organization for whom the currency transaction is being conducted should be fully identified, for example, securities broker, law firm, auto dealer. (Do not use non-descriptive terms, such as "self-employed", "merchant", "business-man", etc.)
5. Enter the specific account number of the person in Part I or Part II who is involved in the currency transaction. If a deposit or withdrawal is made from a savings, checking, share, or other account, check the appropriate box and enter the account number. If the currency transaction involves a loan, enter the loan account number. "Other" accounts would include all accounts with broker-dealers. If the transaction is conducted by an individual or organization who is not a customer of the financial institution, enter "NONE" in the "OTHER" box of Part III.
6. Indicate the nature of the transaction by checking the appropriate box in Part IV, item 1. "OTHER" transactions in item 1 would include, but are not limited to, loan payments or loan proceeds in currency, securities purchases with currency, purchase or redemption of certificates of deposit with currency, currency presented or paid out in connection with a wire transfer of funds, and multiple transactions (see Multiple-Transactions Instructions below). "Currency Exchange" transactions would include exchanging or purchasing U.S. currency with foreign currency and vice versa, and the exchange of small denomination bills of U.S. currency for other large denomination bills of U.S. currency, or vice versa. If a check was involved, see instruction number (11).
- 6a. Transactions with foreign financial institutions involving the purchase or sale of U.S. currency by domestic financial institutions should be reported in Part IV, item 1 as deposits (for purchases) and withdrawals (for sales) regardless of the nature of the underlying account relationship or the method of payment.
7. Enter the total amount of the currency transaction in U.S. dollars in item 2 of

Part IV. If a deposit transaction includes both checks and currency, enter only the amount of the transaction that is in currency. If all or part of the currency is in foreign currency, enter the amount in equivalent U.S. dollars. (See General Instructions below regarding more than one foreign currency in the same transaction.)

8. Enter in item 3 of Part IV the total amount of the currency transaction that includes denominations in U.S. currency of \$100 or higher. For example, if the total amount of the currency transaction is \$100,000 and \$50,000 is in U.S. currency of \$100 or higher denominations, enter \$100,000 in item 2 and \$50,000 in item 3.
9. Enter the month, day, and year of the currency transaction in item 4 of Part IV.
10. If the currency transaction involves a foreign currency, enter the information in the appropriate boxes provided in item 5 of Part IV. (See General Instructions for more than one foreign currency in the same transaction.)
11. If the currency transaction involved the cashing or purchase of a check, enter the details in the appropriate boxes in item 6 of Part IV. (See General Instructions for more than one purchased or cashed check in the same transaction.)
12. Enter the full legal name, street address, city, state, ZIP code, and social security or employer's identification number of the financial institution where the currency transaction is conducted. If a branch office, enter the complete street address of the branch office. Enter P.O. Box number(s) below the street address. Enter your type of financial institution under "Business Activity". (See Definitions section for types of financial institutions.)
13. Form 4789 must be signed by an individual authorized or designated by the financial institution to sign it. His or her title should be indicated and the date of signature entered. This signer's name should be typed or printed legibly below the signature.

## General Instructions

If you need more space to explain any entry or to provide additional information regarding a currency transaction, use a separate sheet of paper that clearly identifies the person for whom the transaction was conducted. Indicate the part number and specific item of Form 4789 that relates to the additional information provided.

If a series of checks are cashed or pur-

chased in the same transaction, itemize the transaction on a separate sheet of paper providing the details of each check as required in item 6 of Part IV. Enter the total of the checks in the "amount of check" box and the word "various" in other appropriate boxes in item 6.

If currency of two or more foreign countries is involved in the transaction, list the information required in item 5 of Part IV on a separate sheet of paper. Enter the total (U.S. dollars) in the appropriate box in item 5, and the word "various" in other appropriate boxes.

#### **Multiple-Transaction Instructions**

If a financial institution is aware that an individual or organization has conducted a series of currency transactions in one day at the financial institution, or at different branch offices of the financial institution, totalling more than \$10,000, a report should be filed for all such transactions. If a series of deposits, withdrawals, check transactions, or currency exchanges are made, enter the total of such transactions in item 2 of Part IV. Also check the "Other" box in Part IV, item 1, specifying "multiple transactions" in addition to checking the appropriate box in item 1 that describes the nature of the transactions. If more than one individual conducts multiple transactions for another person, or if an individual conducting multiple transactions for another person cannot be identified, enter "multiple transactions" on the name line of Part 1.

## Currency Transaction Report

File a separate report for each transaction  
(Complete all applicable parts—see instructions)

OMB No. 1545-0183  
Expires 12-31-85

### Part I Identity of individual who conducted this transaction with the financial institution

Name (Last) <b>1</b>	First	Middle Initial	Social Security Number
Number and Street			Business, occupation, or profession <b>1a</b>
City	State	ZIP code	Country (If not U.S.) <b>2</b>
Method of verifying identification:			
<input type="checkbox"/> Driver's permit	(State) <b>3</b>	(Number)	<input type="checkbox"/> Alien ID card
<input type="checkbox"/> Passport	(Country)	(Number)	<input type="checkbox"/> Other (specify)

### Part II Individual or organization for whom this transaction was completed (Complete only if different from Part I)

Name <b>4</b>	Identifying number		
Number and Street	Business, occupation, or profession <b>4a</b>		
City	State	ZIP code	Country (If not U.S.)

### Part III Customer's account number

<input type="checkbox"/> Savings account <b>5</b>	<input type="checkbox"/> Share account	<input type="checkbox"/> Safety deposit box
(Number)	(Number)	(Number)
<input type="checkbox"/> Checking account	<input type="checkbox"/> Loan account	<input type="checkbox"/> Other (specify)
(Number)	(Number)	

### Part IV Description of transaction. If more space is needed, attach a separate schedule and check this box ☐

1. Nature of transaction (check the applicable boxes)			<input type="checkbox"/> Currency Exchange
<input type="checkbox"/> Deposit <b>6</b>	<input checked="" type="checkbox"/> Check Cashed <b>6a</b>	See item 6 below	<input type="checkbox"/> Mail/Night Deposit
<input type="checkbox"/> Withdrawal	<input type="checkbox"/> Check Purchased		<input type="checkbox"/> Other (specify)
2. Total amount of currency transaction (in U.S. dollars) <b>7</b>	3. Amount in denominations of \$100 or higher <b>8</b>	4. Date of transaction (Month, day, and year) <b>9</b>	
5. If other than U.S. currency is involved, please furnish the following information:			
Currency name <b>10</b>	Country	Total amount of each foreign currency (in U.S. dollars)	
6. If a check was involved in this transaction, please furnish the following information (See Instructions):			
Date of check <b>11</b>	Amount of check (in U.S. dollars)	Payee	
Drawer of check		Drawee bank and City	

### Part V Financial institution reporting the financial transaction

Name and Address <b>12</b>	Identifying number (EIN or SSN)	
	Business activity	
Signature <b>13</b>	(Title)	(Date)
Type or print name of authorized signer		

For Paperwork Reduction Act Notice, see the back of this page.

## General Instructions

**Paperwork Reduction Act Notice.**—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us.

The requested information is useful in criminal, tax, and regulatory investigations. In addition to directing the Federal Government's attention to unusual or questionable transactions, the reporting requirement discourages the use of currency in illegal transactions. Financial institutions are required to provide the information under 31 CFR 103.22, 103.25, and 103.26.

**Who Must File.**—Each financial institution must file a Form 4789 for each deposit, withdrawal, exchange of currency, or other payment or transfer, by, through, or to that financial institution, which involves a transaction in currency of more than \$10,000. Multiple transactions by or for any person which in any one day total more than \$10,000 should be treated as a single transaction, if the financial institution is aware of them.

**Exceptions.**—Banks do not have to file Form 4789 for transactions with Federal Reserve Banks, Federal Home Loan Banks, or other domestic banks.

Banks do not have to file Form 4789 for the following transactions if the amounts involved are reasonable and customary in the course of the customer's business or activities:

- (1) deposits or withdrawals of currency from an existing account by an established depositor who is a U.S. resident and who—
  - (a) operates a retail business in the United States (except automobile, boat, or airplane dealerships), or
  - (b) operates a sports arena, race track, amusement park, bar, restaurant, hotel, licensed check cashing service, vending machine company, or theater;
- (2) deposits or withdrawals, exchanges of currency, or other payments and transfers by local, state, or Federal government agencies;
- (3) withdrawals for payroll purposes from an existing account by an established depositor who is a U.S. resident and who operates a firm that regularly withdraws more than \$10,000 to pay employees in currency.

Banks must keep a record of customers whose transactions are not reported because of exceptions (1) through (3) above. (See 31 CFR, section 103.22 for details about what to include in this record.)

Nonbank financial institutions do not have to report transactions with commercial banks.

**When and Where to File.**—File this form by the 15th day after the date of the transaction with the Internal Revenue Service, Odgen, UT 84201, or hand carry it to your local IRS office. Keep a copy of each Form 4789 for 5 years from the date you file it.

**Identifying Number.**—For individuals this is the social security number. For others it is the Federal employer identification number (9 digits).

**Identification Required.**—Before completing a transaction, a financial institution must verify and record (1) the name

and address of the individual making the transaction and (2) the identity, account number, and taxpayer identifying number (if any) of the individual or organization for whose account the transaction is being made. Use a passport or other official document showing nationality to verify the identity of an alien or nonresident of the United States. Use a document like a driver's license, etc., normally accepted as a means of identification when cashing checks, to verify the identity of anyone else. In each case, record on this form the method of identification used.

**Penalties.**—Civil and criminal penalties (up to \$500,000) are provided for failure to file a report or to supply information, and for filing a false or fraudulent report. See 31 CFR, sections 103.47 and 103.49.

## Specific Instructions

### Part I.—

- (1) In the address section, enter the permanent street address of the individual conducting the transaction. If the currency was received or shipped through the U.S. Postal Service, write in "U.S. Mail." If the currency was received in a night deposit box, write in "Night Deposit." If the currency was received or shipped through an armored car service, licensed by a state or local government, provide only the service's name and address.
- (2) In the social security block, enter the social security number of the individual conducting the transaction. If the individual has no number, write "None" in this block.
- (3) Check the appropriate box and enter the number of the document used to verify the identity of the individual making the transaction. When the name of an individual is not required to be given, it is not necessary to describe the method of verifying identification.

### Part II.—

- (1) For individuals, enter last name, first name, and middle initial, if any, in the name block in that order. For all others, enter the complete organization name.
- (2) In the identifying number block, enter the social security number or employer identification number.

### Part III.—

Check the appropriate box and enter the appropriate customer's account number. If there is no account relationship, check Other and write in "None."

### Part IV, line 1.—

If the transaction being reported was the sale or purchase of foreign currency, check Other and write in "sale of foreign currency" or "purchase of foreign currency," whichever applies.

### Part IV, line 6.—

Complete this line if a check is cashed or a bank check is purchased with currency.

### Part V.—

Institutions may also enter in the name and address block other identifying information.

**Signature.**—This report must be signed by an authorized individual. Also type or print the name of the authorized signer.

## Definitions

**Bank.**—Each agent, agency, branch, or office in the United States of a foreign bank and each agency, branch, or office in the United States of any person doing business in one or more of the capacities listed below:

- (1) a commercial bank or trust company organized under the laws of any state or of the United States;
- (2) a private bank;
- (3) a savings and loan association or a building and loan association organized under the laws of any state or of the United States;
- (4) an insured institution as defined in section 401 of the National Housing Act;
- (5) a savings bank, industrial bank, or other thrift institution;
- (6) a credit union organized under the laws of any state or of the United States; and
- (7) any other organization chartered under the banking laws of any state and subject to the supervision of the bank supervisory authorities of a state.

**Currency.**—The coin and currency of the United States or of any other country, which circulate in and are customarily used and accepted as money in the country in which issued. It includes United States silver certificates, United States notes, and Federal Reserve notes, but does not include bank checks or other negotiable instruments not customarily accepted as money.

**Financial Institution.**—Each agency, branch, or office in the United States of any person doing business in one or more of the capacities listed below:

- (1) a bank;
- (2) a broker or dealer in securities, registered or required to be registered with SEC under the Securities Exchange Act of 1934;
- (3) a person who engages as a business in dealing in or exchanging currency (for example, a dealer in foreign exchange or a person engaged primarily in the cashing of checks);
- (4) a person who engages as a business in issuing, selling, or redeeming traveler's checks, money orders, or similar instruments, except one who does so as a selling agent exclusively, or as an incidental part of another business;
- (5) a licensed transmitter of funds, or other person engaged in the business of transmitting funds abroad for others.

**Person.**—An individual, corporation, partnership, trust or estate, joint stock company, association, syndicate, joint venture, or other unincorporated organization or group, and all entities treated as legal personalities.

**Transaction in Currency.**—A transaction involving the physical transfer of currency from one person to another. A transaction in currency does not include a transfer of funds by means of bank check, bank draft, wire transfer, or other written order that does not include the physical transfer of currency.



Customs Use Only

Control No.

31 USC 1101; 31 CFR 103.23 and 103.25

Please Type or Print

DEPARTMENT OF THE TREASURY  
UNITED STATES CUSTOMS SERVICEREPORT OF INTERNATIONAL  
TRANSPORTATION OF CURRENCY  
OR MONETARY INSTRUMENTSForm Approved  
OMB No. 1515-0079This form is to be filed with the  
United States Customs ServicePrivacy Act Notification  
on reverse**PART I - FOR INDIVIDUAL DEPARTING FROM OR ENTERING THE UNITED STATES**

1. NAME (Last or family, first and middle)		2. IDENTIFYING NO. (See instructions)	3. DATE OF BIRTH (Mo./Day/Yr)
4. PERMANENT ADDRESS IN UNITED STATES OR ABROAD		5. OF WHAT COUNTRY ARE YOU A CITIZEN/SUBJECT?	
6. ADDRESS WHILE IN THE UNITED STATES		7. PASSPORT NO. & COUNTRY	
8. U.S. VISA DATE	9. PLACE UNITED STATES VISA WAS ISSUED		10. IMMIGRATION ALIEN NO. (If any)
11. CURRENCY OR MONETARY INSTRUMENT WAS: (Complete 11A or 11B)			
A. EXPORTED		B. IMPORTED	
Departed From: (City in U.S.)	Arrived At: (Foreign City/Country)	From: (Foreign City/Country)	At: (City in U.S.)

**PART II - FOR PERSON SHIPPING, MAILING OR RECEIVING CURRENCY OR MONETARY INSTRUMENTS**

12. NAME (Last or family, first and middle)		13. IDENTIFYING NO. (See instructions)	14. DATE OF BIRTH (Mo./Da./Yr.)
15. PERMANENT ADDRESS IN UNITED STATES OR ABROAD		16. OF WHAT COUNTRY ARE YOU A CITIZEN/SUBJECT?	
17. ADDRESS WHILE IN THE UNITED STATES		18. PASSPORT NO. & COUNTRY	
U.S. VISA DATE		20. PLACE UNITED STATES VISA WAS ISSUED	21. IMMIGRATION ALIEN NO. (If any)
22. CURRENCY OR MONETARY INSTRUMENTS	23. CURRENCY OR MONETARY INSTRUMENTS	24. IF THE CURRENCY OR MONETARY INSTRUMENT WAS MAILED, SHIPPED, OR TRANSPORTED COMPLETE BLOCKS A AND B.	
DATE SHIPPED	<input type="checkbox"/> Shipped To <input type="checkbox"/> Received From	A. Method of Shipment (Auto, U.S. Mail, Public Carrier, etc.)	
DATE RECEIVED		B. Name of Transporter/Carrier	

**PART III - CURRENCY AND MONETARY INSTRUMENT INFORMATION (SEE INSTRUCTIONS ON REVERSE) (To be completed by everyone)**

25. TYPE AND AMOUNT OF CURRENCY/MONETARY INSTRUMENTS	Value in U.S. Dollars	26. IF OTHER THAN U.S. CURRENCY IS INVOLVED, PLEASE COMPLETE BLOCKS A AND B. (SEE SPECIAL INSTRUCTIONS)
Coins ..... <input type="checkbox"/> A. ▶ \$		A. Currency Name
Currency ..... <input type="checkbox"/> B. ▶		B. Country
Other instruments (Specify Type) ..... <input type="checkbox"/> C. ▶		
(Add lines A, B and C) ..... TOTAL AMOUNT ▶ \$		

**PART IV - GENERAL - TO BE COMPLETED BY ALL TRAVELERS SHIPPERS AND RECIPIENTS**

27. WERE YOU ACTING AS AN AGENT, ATTORNEY OR IN CAPACITY FOR ANYONE IN THIS CURRENCY OR MONETARY INSTRUMENT ACTIVITY? (If "Yes" complete A, B and C) <input type="checkbox"/> Yes <input type="checkbox"/> No		
PERSON IN WHOSE BEHALF YOU ARE ACTING ▶	A. Name	B. Address
		C. Business activity occupation or profession

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief it is true, correct and complete.

NAME AND TITLE	29. SIGNATURE	30. DATE
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(Replaces IRS Form 4790 which is obsolete)

Customs Form 4790 (09-29-81)

\*U.S. GOVERNMENT PRINTING OFFICE 1981 732-126/1516

VI-13

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BEST COPY AVAILABLE

## General Instructions

This report is required by Treasury Department regulations (31 Code of Federal Regulations 103).

**Who Must File.** — Each person who physically transports, mails, or ships, or causes to be physically transported, mailed, shipped or received currency or other monetary instruments in an aggregate amount exceeding \$5,000 on any one occasion from the United States to any place outside the United States, or into the United States from any place outside the United States.

**A TRANSFER OF FUNDS THROUGH NORMAL BANKING PROCEDURES WHICH DOES NOT INVOLVE THE PHYSICAL TRANSPORTATION OF CURRENCY OR MONETARY INSTRUMENTS IS NOT REQUIRED TO BE REPORTED.**

**Exceptions.** — The following persons are not required to file reports: (1) a Federal reserve bank, (2) a bank, a foreign bank, or a broker or dealer in securities in respect to currency or other monetary instruments mailed or shipped through the postal service or by common carrier, (3) a commercial bank or trust company organized under the laws of any State or of the United States with respect to overland shipments of currency or monetary instruments shipped to or received from an established customer maintaining a deposit relationship with the bank, in amounts which the bank may reasonably conclude do not exceed amounts commensurate with the customary conduct of the business, industry or profession of the customer concerned, (4) a person who is not a citizen or resident of the United States in respect to currency or other monetary instruments mailed or shipped from abroad to a bank or broker or dealer in securities through the postal service or by common carrier, (5) a common carrier of passengers in respect to currency or other monetary instruments in the possession of its passengers, (6) a common carrier of goods in respect to shipments of currency or monetary instruments not declared to be such by the shipper, (7) a travelers' check issuer or its agent in respect to the transportation of travelers' checks prior to their delivery to selling agents for eventual sale to the public, nor by (8) a person engaged as a business in the transportation of currency, monetary instruments and other commercial papers with respect to the transportation of currency or other monetary instruments overland between established offices of banks or brokers or dealers in securities and foreign persons.

### When and Where to File:

**A. Recipients.** — Each person who receives currency or other monetary instruments shall file Form 4790, within 30 days after receipt, with the Customs officer in charge at any port of entry or departure or by mail with the Commissioner of Customs, Attention: Currency Transportation Reports, Washington, D.C. 20229.

**B. Shippers or Mailers.** — If the currency or other monetary instrument does not accompany the person entering or departing the United States, Form 4790 may be filed by mail on or before the date of entry, departure, mailing, or shipping with the Commissioner of Customs, Attention: Currency Transportation Reports, Washington, D.C. 20229.

**C. Travelers.** — Travelers carrying currency or other monetary instruments with them shall file Form 4790 at the time of entry into the United States or the time of departure from the United States with the Customs officer in charge at any Customs port of entry or departure.

An additional report of a particular transportation, mailing, or shipping of currency or other monetary instruments, is not required if a complete and truthful report has already been filed. However, no person otherwise required to file a report shall be excused from liability for failure to do so if, in fact, a complete and truthful report has not been filed. Forms may be obtained from any United States Customs Service office.

**PENALTIES.** — Civil and criminal penalties, including under certain circumstances a fine of not more than \$500,000 and imprisonment of not more than five years, are provided for failure to file a report, supply information, and for filing a false or fraudulent report. In addition, the currency or monetary instrument may be subject to seizure and forfeiture. See sections 103.47, 103.48 and 103.49 of the regulations.

### Definitions

**Bank.** — Each agent, agency, branch or office within the United States of a foreign bank and each agency, branch or office within the United States of any person doing business in one or more of the capacities listed: (1) a commercial bank or trust company organized under the laws of any state or of the United States; (2) a private bank; (3) a savings and loan association or a building and loan association organized under the laws of any state or of the United States; (4) an insured institution as defined in section 401 of the National Housing Act; (5) a savings bank, industrial bank or other thrift institution; (6) a credit union organized under the laws of any state or of the United States; and (7) any other organization chartered under the banking laws of any state and subject to the supervision of the bank supervisory authorities of a state.

**Foreign Bank.** — A bank organized under foreign law, or an agency, branch or office located outside the United States of a bank. The term does not include an agent, agency, branch or office within the United States of a bank organized under foreign law.

**Broker or Dealer in Securities.** — A broker or dealer in securities, registered or required to be registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934.

**IDENTIFYING NUMBER.** — Individuals should enter their social security number, if any. However, aliens who do not have a social security number should enter passport or alien registration number. All others should enter their employer identification number.

**Investment Security.** — An instrument which: (1) is issued in bearer or registered form; (2) is of a type commonly dealt in upon securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment; (3) is either one of a class or series or by its terms is divisible into a class or series of instruments; and (4) evidences a share, participation or other interest in property or in an enterprise or evidences an obligation of the issuer.

**Monetary Instruments.** — Coin or currency of the United States or of any other country, travelers' checks, money orders, investment securities in bearer form or otherwise in such form that title thereto passes upon delivery, and negotiable instruments (except warehouse receipts or bills of lading) in bearer form or other in such form that title thereto passes upon delivery. The term includes bank checks, travelers' checks and money orders which are signed but on which the name of the payee has been omitted, but does not include bank checks, travelers' checks or money orders made payable to the order of a named person which have not been endorsed or which bear restrictive endorsements.

**Person.** — An individual, a corporation, a partnership, a trust or estate, a joint stock company, an association, a syndicate, joint venture, or other unincorporated organization or group, and all entities cognizable as legal personalities.

### Special Instructions

You should complete each line which applies to you. **Part II.** — Line 22, Enter the exact date you shipped or received currency or the monetary instrument(s). Line 23, Check the applicable box and give the complete name and address of the shipper or recipient. **Part III.** — Line 26, If currency or monetary instruments of more than one country is involved, attach a schedule showing each kind, country, and amount.

### PRIVACY ACT NOTIFICATION

Pursuant to the requirements of Public Law 93-579, (Privacy Act of 1974), notice is hereby given that the authority to collect information on Form 4790 in accordance with 5 U.S.C. 552a(e)(3) is Public Law 91-508, 31 U.S.C. 1101; 5 U.S.C. 301; Reorganization Plan No. 1 of 1950, Treasury Department No. 165, revised, as amended; 31 CFR 103.

The principal purpose for collecting the information is to assure maintenance of reports or records where such reports or records have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. The information collected may be provided to those officers and employees of the Customs Service and any other constituent unit of the Department of the Treasury who have a need for the records in the performance of their duties. The records may be referred to any other department or agency of the Federal Government upon the request of the head of such department or agency.

Disclosure of this information is mandatory. Failure to provide all or any part of the requested information may subject the currency or monetary instruments to seizure and forfeiture, as well as subject the individual to civil and criminal liabilities.

Disclosure of the social security number is mandatory. The authority to collect this number is 31 CFR 103.25. The social security number will be used as a means to identify the individual who files the record.

Department of the Treasury  
Form 90-22.1 (9-78)REPORT OF FOREIGN BANK  
AND FINANCIAL ACCOUNTS

OFFICIAL USE ONLY

SUSPENSES ALL PREVIOUS  
EDITIONS

For the calendar year 19.....

This form should be used to report financial interest in or signature authority or other authority over one or more bank accounts, securities accounts, or other financial accounts in foreign countries as required by Department of the Treasury Regulations (31 CFR 103). You are not required to file a report if the aggregate value of the accounts did not exceed \$1,000. Check all appropriate boxes. SEE INSTRUCTIONS ON BACK FOR DEFINITIONS.

1. Name (Last, First, Middle)	2. Social security number or employer identification number if other than individual	3. Name in item 1 refers to <input type="checkbox"/> Individual <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input type="checkbox"/> Fiduciary
4. Address (Street, City, State, Country, ZIP)		

5. ☐ I had signature authority or other authority over one or more foreign accounts, but I had no "financial interest" in such accounts (see instruction J). Indicate for these accounts:

- (a) Name and social security number or taxpayer identification number of each owner .....
- (b) Address of each owner .....

(Do not complete item 9 for these accounts)

6. ☐ I had a "financial interest" in one or more foreign accounts owned by a domestic corporation, partnership or trust which is required to file Form 90-22.1. (See instruction L). Indicate for these accounts:

- (a) Name and taxpayer identification number of each such corporation, partnership or trust .....
- (b) Address of each such corporation, partnership or trust .....

(Do not complete item 9 for these accounts)

7. ☐ I had a "financial interest" in one or more foreign accounts, but the total maximum value of these accounts (see instruction I) did not exceed \$10,000 at any time during the year. (If you checked this box, do not complete item 9.)

8. ☐ I had a "financial interest" in 25 or more foreign accounts. (If you checked this box, do not complete item 9.)

9. If you had a "financial interest" in one or more but fewer than 25 foreign accounts which are required to be reported, and the total maximum value of the accounts exceeded \$10,000 during the year (see instruction I), write the total number of those accounts here.    
Complete items (a) through (f) below for one of the accounts and attach a separate Form 90-22.1 for each of the others.  
Items 1, 2, 3, 9, and 10 must be completed for each account. Check here if this is an attachment. ☐

(a) Name in which account is maintained	(b) Name of bank or other person with whom account is maintained
(c) Number and other account designation, if any	(d) Address of office or branch where account is maintained

(e) Type of account. (If not certain of English name for the type of account, give the foreign language name and describe the nature of the account. Attach additional sheets if necessary.)

☐ Bank Account ☐ Securities Account ☐ Other (specify) .....

(f) Maximum value of account (see instruction I)

☐ Under \$10,000 ☐ \$10,000 to \$50,000 ☐ \$50,000 to \$100,000 ☐ Over \$100,000

10. Signature	11. Title (Not necessary if reporting personal account)	12. Date
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## PRIVACY ACT NOTIFICATION

In accordance with the requirements of Public Law 93-579, (Privacy Act of 1974), notice is hereby given that the authority to collect information on Form 90-22.1 in accordance with 5 U.S.C. 552(e)(3) is Public Law 91-508; 31 U.S.C. 1121; 5 U.S.C. 301, 31 CFR Part 103.

The principal purpose for collecting the information is to assure maintenance of reports or records where such reports or records have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. The information collected may be provided to those officers and employees of any constituent unit of the Department of the Treasury who have a need for the records in the performance of their duties. The records may be referred to any other department or agency of the Federal Government upon the request of the head of such department or agency for use in a criminal, tax, or regulatory investigation or proceeding.

Disclosure of this information is mandatory. Civil and criminal penalties, including under certain circumstances a fine of not more than \$500,000 and imprisonment of not more than five years, are provided for failure to file a report, supply information, and for filing a false or fraudulent report.

Disclosure of the social security number is mandatory. The authority to collect this number is 31 CFR 103. The social security number will be used as a means to identify the individual who files the report.



## INSTRUCTIONS

**A. Who Must File a Report**—Each United States person who has a financial interest in or signature authority or other authority over bank, securities, or other financial accounts in a foreign country, which exceeded \$1,000 in aggregate value at any time during the calendar year, must report that relationship each calendar year by filing Form 90-22.1 with the Department of the Treasury on or before June 30, of the succeeding year.

An officer or employee of a commercial bank which is subject to the supervision of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation need not report that he has signature or other authority over a foreign bank, securities or other financial account maintained by the bank unless he has a personal financial interest in the account.

In addition, an officer or employee of a domestic corporation whose securities are listed upon national securities exchanges or which has assets exceeding \$1 million and 500 or more shareholders of record need not file such a report concerning his signature authority over a foreign financial account of the corporation, if he has no personal financial interest in the account and has been advised in writing by the chief financial officer of the corporation that the corporation has filed a current report which includes that account.

**B. United States Person**—The term "United States person" means (1) a citizen or resident of the United States, (2) a domestic partnership, (3) a domestic corporation, or (4) a domestic estate or trust.

**C. When and where to File**—This report shall be filed on or before June 30 each calendar year with the Department of the Treasury, Post Office Box 28309, Central Station, Washington, D.C., 20005.

**D. Account in a Foreign Country**—A "foreign country" includes all geographical areas located outside the United States, Guam, Puerto Rico, and the Virgin Islands.

Report any account maintained with a bank (except a military banking facility as defined in instruction E) or broker or dealer in securities that is located in a foreign country, even if it is a part of a United States bank or other institution. Do not report any account maintained with a branch, agency, or other office of a foreign bank of other institution that is located in the United States, Guam, Puerto Rico, and the Virgin Islands.

**E. Military Banking Facility**—Do not consider as an account in a foreign country, an account in an institution known as a "United States military banking facility" (or "United States military finance facility") operated by a United States financial institution designated by the United States Government to serve U.S. Government installations abroad, even if the United States military banking facility is located in a foreign country.

**F. Bank, Financial Account**—The term "bank account" means a savings, demand, checking, deposit, loan or any other account maintained with a financial institution or other person engaged in the business of banking. It includes certificates of deposit.

The term "securities account" means an account maintained with a financial institution or other person who buys,

sells, holds, or trades stock or other securities for the benefit of another.

The term "other financial account" means any other account maintained with a financial institution or other person who accepts deposits, exchanges or transmits funds, or acts as a broker or dealer for future transactions in any commodity on (or subject to the rules of) a commodity exchange or association.

**G. Financial Interest**—A financial interest in a bank, securities, or other financial account in a foreign country means an interest described in either of the following two paragraphs:

(1) A United States person has a financial interest in each account for which such person is the owner of records or has legal title, whether the account is maintained for his or her own benefit or for the benefit of others including non-United States persons. If an account is maintained in the name of two persons jointly, or if several persons each own a partial interest in an account, each of those United States persons has a financial interest in that account.

(2) A United States person has a financial interest in each bank, securities, or other financial account in a foreign country for which the owner of record or holder of legal title is: (a) a person acting as an agent, nominee, attorney, or in some other capacity on behalf of the U.S. person; (b) a corporation in which the United States person owns directly or indirectly more than 50 percent of the total value of shares of stock; (c) a partnership in which the United States person owns an interest in more than 50 percent of the profits (distributive share of income); or (d) a trust in which the United States person either has a present beneficial interest in more than 50 percent of the assets or from which such person receives more than 50 percent of the current income.

**H. Signature or Other Authority Over an Account**—

**Signature Authority**—A person has signature authority over an account if such person can control the disposition of money or other property in it by delivery of a document containing his or her signature (or his or her signature and that of one or more other persons) to the bank or other person with whom the account is maintained.

**Other authority** exists in a person who can exercise comparable power over an account by direct communication to the bank or other person with whom the account is maintained, either orally or by some other means.

**I. Account Valuation**—For items 7, 9, and Instruction A, the maximum value of an account is the largest amount of currency and non-monetary assets that appear on any quarterly or more frequent account statement issued for the applicable year. If periodic account statements are not so issued, the maximum account asset value is the largest amount of currency and non-monetary assets in the account at any time during the year. Convert foreign currency by using the official exchange rate at the end of the year. In valuing currency of a country that uses multiple exchange rates, use the rate which would apply if the currency in the account were converted into United States dollars at the close of the calendar year.

The value of stock, other securities or other non-monetary assets in an account reported on Form 90-22.1 is the fair market value at the end of the calendar year, or if withdrawn from the account, at the time of the withdrawal.

For purposes of items 7, 9, and Instruction A, if you had a financial interest in more than one account, each account is to be valued separately in accordance with the foregoing two paragraphs.

If you had a financial interest in one or more but fewer than 25 accounts, and you are unable to determine whether the maximum value of these accounts exceeded \$10,000 at any time during the year, check item 9 (do not check item 7) and complete item 9 for each of these accounts.

**J. United States Persons with Authority Over but No Interest in an Account**—Except as provided in Instruction A and the following paragraph, you must state the name, address, and identifying number of each owner of an account over which you had authority, but if you check item 5 for more than one account of the same owner, you need identify the owner only once.

If you check item 5 for one or more accounts in which no United States person had a financial interest, you may state on the first line of this item, in lieu of supplying information about the owner, "No U.S. person had any financial interest in the foreign accounts." This statement must be based upon the actual belief of the person filing this form after he or she has taken reasonable measures to ensure its correctness.

If you check item 5 for accounts owned by a domestic corporation and its domestic and/or foreign subsidiaries, you may treat them as one owner and write in the space provided, the name of the parent corporation, followed by "and related entities," and the identifying number and address of the parent corporation.

**K. Consolidated Reporting**—

A corporation which owns directly or indirectly more than 50 percent interest in one or more other entities will be permitted to file a consolidated report on Form 90-22.1, on behalf of itself and such other entities provided that a listing of them is made part of the consolidated report. Such reports should be signed by an authorized official of the parent corporation.

If the group of entities covered by a consolidated report has a financial interest in 25 or more foreign financial accounts, the reporting corporation need only note that fact on the form; it will, however, be required to provide detailed information concerning each account when so requested by the Secretary or his delegate.

**L. Avoiding Duplicate Reporting**—If you had financial interest (as defined in instruction G(2)(b), (c) or (d) in one or more accounts which are owned by a domestic corporation, partnership or trust which is required to file Form 90-22.1 with respect to these accounts in lieu of completing item 9 for each account you may check item 6 and provide the required information.

**M. Providing Additional Information**—Any person who does not complete item 9, shall when requested by the Department of the Treasury provide the information called for in item 9.

**N. Signature (Item 10)**—This report must be signed by the person named in Item 1. If the report is being filed on behalf of a partnership, corporation, or fiduciary, it must be signed by an authorized individual.

**O. Penalties**—For criminal penalties for failure to file a report, supply information, and for filing a false or fraudulent report see 31 U.S.C. 1058, 31 U.S.C. 1059, and 18 U.S.C. 1001.

Airtel

6/28/79

To: SAC, Albany

From: Director, FBI

OBTAINING OF FINANCIAL INFORMATION  
FROM U.S. TREASURY DEPARTMENT

This communication will supersede Bureau airtel dated 1/26/79, captioned as above.

The Currency and Foreign Transactions Reporting Act (P.L. 91-508 21 USC 1051-1143) and Treasury Department regulations implementing its provisions require reports of certain domestic currency transactions and of the import and export of monetary instruments in excess of certain accounts. In enacting this legislation. Congress expressly recognized that such reports would have a "high degree of usefulness in criminal, tax, or regulatory investigations or proceedings" (31 USC 1051)

Of particular interest to the FBI is the obtaining of information included in the following reports:

Form 4789, known as a "Currency Transaction Report," requiring each financial institution to file a report of each deposit, withdrawal, exchange of currency or other payment or transfer by, through, or to such financial institution, involving a currency transaction of more than \$10,000.

Form 4790, known as a "Report of International Transportation of Currency or Monetary Instruments," requires any person who physically transports, mails, or ships, or causes to be physically transported, mailed, or shipped, currency or other monetary instruments in an aggregate amount exceeding \$5,000 on any one occasion from the United States to any place outside the United States, or into the United States, from any place outside the United States, shall make a report thereof.

2 - Each Field Office

JB:rar (136)

Airtel to Albany

Re: Obtaining of Financial Information  
From U.S. Treasury Department

Form 90-22.1, known as a "Report of Foreign Bank, Securities, and Other Financial Accounts," requires each U.S. person who has a financial interest or signature authority or other authority over a bank, securities, or other financial account in a foreign country to report that relationship each year filing Form 90-22.1 with the Treasury Department on or before June 30 of the succeeding year.

In order to realize more fully the potential of the Act and to facilitate broader access to these reports by the FBI, I have suggested that on a continuing basis the Treasury Department furnish the FBI with copies of those reports properly requested by the FBI.

The Department of Treasury wants to make this information readily available to all Federal law enforcement agencies for use in criminal, tax, and regulatory investigations. At the same time, however, extreme care must be taken to insure that the information gathered pursuant to the Financial Record Keeping and Currency and Foreign Transactions Reporting Act of 1970 is not misused in any way so as to avoid unfair or erroneous use or retention of information about individuals.

To facilitate the process of obtaining access to the necessary material, the FBI has requested, and been granted, special permission to receive such information on a timely basis from agency to agency at the field level. This special authority will enable FBI personnel at the field level to request specific information necessary to an ongoing investigation directly from their Treasury counterparts.

I have empowered the Associate Director and the Assistant Director, Criminal Investigative Division, to request this special authority on my behalf.

The procedure to be utilized in the obtaining of this information is as follows:

Should it be decided during the conduct of an investigation that any of the information available in the above-mentioned forms could be useful to the investigation, an airtel should be sent to the Bureau setting forth the forms desired and requesting authority to receive said forms from the local Treasury representatives (U.S. Customs Service). A request for specific reporting information must contain the following elements:

Airtel to Albany

Re: Obtaining of Financial Information  
from U.S. Treasury Department

A. A certification that the information requested about an individual or class of individuals identified in the request is relevant to an investigation or proceeding by the requesting department or agency.

B. A certification as to the specific nature or purpose of the investigation or the violation(s) of Federal law (e.g., whether it is a criminal, tax, or regular investigation or other inquiry in connection with which the information is sought).

C. A statement containing sufficient identification of the individual(s) named in the dissemination request to permit a valid examination of the available files. Such identification information should be as specific as possible, including such items as the name, address, date of birth, and/or social security number, to help insure legitimacy and accuracy of the information selected for dissemination.

Upon receiving response from the Bureau, this request can be made from Customs and the forms will be made available at the field level from agency to agency.

In the event the field office feels it necessary to have the forms on an immediate basis, a telephonic request may be made and authority obtained. In this event, a follow-up airtel is to be submitted.

It should be noted that until this special authority was received, any attempts to facilitate dissemination of the above-mentioned forms were greatly restricted in view of a regulation (31 CFR 103-143) which provided that only the "Secretary" (Treasury) could make such information available "to any other Department or Agency of the United States." This meant that, while various Federal agencies involved in law enforcement interacted and relied upon face-to-face exchange of information, the above regulation inhibited the exchange of information by requiring that Treasury act as an intermediary or conduit between enforcement agencies. This resulted in an almost nonexistent exchange of information between law enforcement agencies and Treasury regarding financial information which could have provided invaluable assistance to ongoing investigations.

Airtel to Albany

Re: Obtaining of Financial Information  
from U.S. Treasury Department

It is believed that facilitating the receipt of this information will enable us to strengthen our financial investigative capability and develop both operational and strategic intelligence necessary in our efforts to combat economically oriented crime.

NOTE: Airtel to all field divisions instructing of procedures necessary to obtain financial information which can be of assistance in ongoing investigations.

It should be noted that when submitting such requests from the Bureau, the identity of the requester should be submitted to Treasury in order to insure that Treasury's response reaches the proper individual.



DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

WASHINGTON

JUN 19 1980



REFER TO  
INV 32-01 INVCB

Mr. Francis M. Mullen, Jr.  
Assistant Director  
Criminal Investigative Division  
Federal Bureau of Investigation  
Washington, D.C. 20535

Dear Mr. Mullen:

Pursuant to your request dated May 29, 1980, I have caused the records of the Reports Analysis Unit to be searched for Forms 4789 - Currency Transaction Reports (1976 - December 1979), Forms 4790 - Reports of International Transportation of Currency or Monetary Instruments (1972 - March 1980) and Forms 90-22.1 - Reports of Foreign Bank and Financial Accounts (calendar year 1977) pertaining to the named entities. This records search should be considered complete only for the periods indicated above concerning each type of form. The results of that search were negative, except as noted on the enclosure.

This information is made available to be used in connection with an official investigation or other proceedings pursuant to established Treasury Department guidelines. A copy of those guidelines was previously furnished to your agency. This information is considered sensitive; therefore, the forms and the information hereon should not be disclosed to any person except for official purposes related to Department of Justice investigations or related proceedings. Also, this information is to be used only in conjunction with existing agency data and shall not become the sole basis for the creation of a system of records or separate files. Pursuant to the provisions of 31 CFR 103.43, further dissemination of this information can be authorized only by the Secretary of the Treasury or his delegate.

If you have any questions regarding this information, please have a member of your staff contact the Acting Director, Currency Investigations Division.

Sincerely,

Robert DiLorenzo  
Acting Director  
Office of Investigations

ures

REPLY TO: COMMISSIONER OF CUSTOMS, WASHINGTON, D.C. 20226

VI-21

235

BEST COPY AVAILABLE

DISSEMINATION OF FINANCIAL INFORMATION

Disseminated to: FBI/Washington, D.C.

Date: JUN 19 1966

Dissemination of financial information obtained from IRS Form 4789 - Currency Transaction Reports (CTR), Customs Forms 4790 - Report of International Transportation of Currency or Monetary Instruments (CMIR) or Treasury Department Form 90-22.1 - Report of Foreign Bank and Financial Account (FBA):

<u>Name</u>	<u>Form</u>	<u>Date</u>	<u>Document No.</u>	<u>Transaction</u>
[REDACTED]	4789	062078	1911114898	\$14,700
[REDACTED]	4789	030879	1911096899	20,000
[REDACTED]	4789	040577	1911067707	20,000
[REDACTED]	4789	061777	1911097747	18,000
[REDACTED]	4790	042174	74C000015575	9,017
	<u>5</u>			<u>\$81,717</u>



U.S. SERVICE		CURRENCY TRANSACTION REPORT #1		*** FOR OFFICIAL USE ONLY ***	
QUARTER ENDING 0331A3		PAGE NO. 139704			
1. IDENTITY OF PERSON WHO CONDUCTED THIS TRANSACTION WITH FINANCIAL INSTITUTION					
NAME	SSN	BUS. OCCUP/PROF.		- DLN: 101111A08	
CHARL	SSN: 100000000	BUS. OCCUP/PROF: AUTO DEALER			
2. PERSON OR ORGANIZATION FOR WHOM THIS TRANSACTION WAS COMPLETED					
NAME	S/D NO:	BUS. OCCUP/PROF:			
3. DESCRIPTION OF TRANSACTION					
NATURE OF TRANSACTION		YTD. AMT	AMT. IN \$100	DATE OF	
CURR. TRANS. 0000014730			DENOM. OR HIGHER: 0000014730	TRANS. 06/07/78	
DEPOSIT	IF CHECK PUR.				
W/ CASH	TRAV. & TRM PUR.				
CURRENCY EXCHANGE	SECURITY N.M. (SPECIFY)				
CHECK CASHED	OTHER (SPECIFY)				
FOREIGN CURRENCY INFORMATION:					
CURRENCY NAME:	COUNTRY:	TOTAL AMT. CASH: 5,000,000.00			
CHECK INFORMATION:					
DATE:	AMT: 0000000000	PAYEE:	CITY OF LOCATION:		
		DRAWER OF CHECK:			
		DRAWEE BANK:			
4. TYPE OF IDENTIFICATION PRESENTED IN THIS TRANSACTION					
BY CUSTOMERS:		BY OTHERS:			
SAVING ACC. NO.		DRIVERS PERMIT: STATE	NO:		
CHECK ACC. NO.		PASSPORT: COUNTRY	NO:		
SHARES ACC. NO.		ALLEN ID: COUNTRY	NO:		
LOAN ACC. NO.		OTHER SPECIFY:			
SATETY BOX NO.					
5. FINANCIAL INSTITUTION REPORTING THE FINANCIAL TRANSACTION					
NAME: NEWSTEAD BANK	ADDRESS: 230 N FRANKLIN ST		NEWSTEAD		RI 01550
ID NO:	BUSINESS ACTIVITY: BANKING				

EXT CONTROL NO./740000015575

NAME/ [REDACTED]

DOB/11-27-51

PERMANENT ADDRESS/ [REDACTED] BURNHAM RD/EL PASO, TX, US

EXT 1:

DEPARTED//XXUS

DATE/04-21-74

EXT 11: ACTIVITY DATE/04-21-74

EXT 111:

X

\$9017

TOTAL VALUE

\$9017

US CURRENCY=CHECK

COUNTRY=

TO:

ING FOR:

NAME/ [REDACTED] [REDACTED] [REDACTED]

ING FOR:

NAME/ [REDACTED] [REDACTED]

ADDRESS/

125720 BAR

ADDRESS/C-0

[REDACTED] [REDACTED] [REDACTED] N FORMOSA/HOLLYWOOD, CA, US

SECTION VII

Crime and Secrecy: The Use of  
Offshore Banks and Companies

I. Introduction

A. The importance of understanding the use of offshore facilities:

1. Use of offshores has traditionally been the exclusive domain of organized crime, narcotics traffickers and major international swindlers such as Vesco.
  - a. Created enforcement problems primarily for the FBI, DEA, IRS and SEC.
  - b. Use was rare enough that enforcement data was sparse and remained unshared.
2. Use now at all levels of society:
  - Commodity fraud
  - Medicare/Medicaid fraud
  - Fences
  - Small, organized criminal groups
  - Scam artists
  - Robbery gangs
  - Chop shops
  - Embezzlers
  - Medium income tax cheats
  - Insurance fraud
3. Enforcement problems posed by offshores now impact on all levels of law enforcement.
4. Offshores also create significant barriers to civil actions:
  - Divorces
  - Repossession of assets
  - Bankruptcies
  - Civil contract suits
5. Problems are therefore pervasive, enforcement resources are slim, and solutions are elusive.
6. These problems are compounded by the tremendous resources required to investigate such cases and the continuing problem of no central clearing house for offshore issues.
7. Education and information sharing are important weapons in combatting offshore use.

II. Offshore Facilities: What are they and why do they exist?

- A. Why criminals need to launder funds offshore.
  - 1. Conceal the offense.
  - 2. Hinder investigative efforts and reduce probability of conviction.
  - 3. Preserve assets from forfeiture.
  - 4. Eliminate taxes.
  
- B. Laundering offshore conceals offense.
  - 1. Option of banking, spending or investing proceeds without laundering might call attention to offense.
  - 2. No legal explanation of rags to riches.
  - 3. Stock broker in small mid-west town is recent example.
    - a. Sudden, phenomenal wealth
      - (1) Huge house
      - (2) Several expensive cars
      - (3) Helicopter (even used to deliver lunch to daughter in grade school)
    - b. Recently convicted.
  - 4. Low profile greatly decreases chances of getting caught.
  
- C. Laundering offshore stymies investigative efforts and reduces probability of conviction.
  - 1. Funds traced to U.S. bank (or other disposition) can be easily traced back to suspect.
  - 2. Use of offshore effectively cuts the paper trail because of foreign secrecy laws. Thus using offshore facility is perhaps the most effective means of laundering funds.
  - 3. Even if prosecutors can build a good circumstantial case against a suspect, obtaining documentary evidence sufficient to prosecute may be extremely difficult.
  
- D. Laundering offshore preserves assets.
  - a. Even if suspect is convicted, if he keeps the funds offshore, they may be impossible to attach.

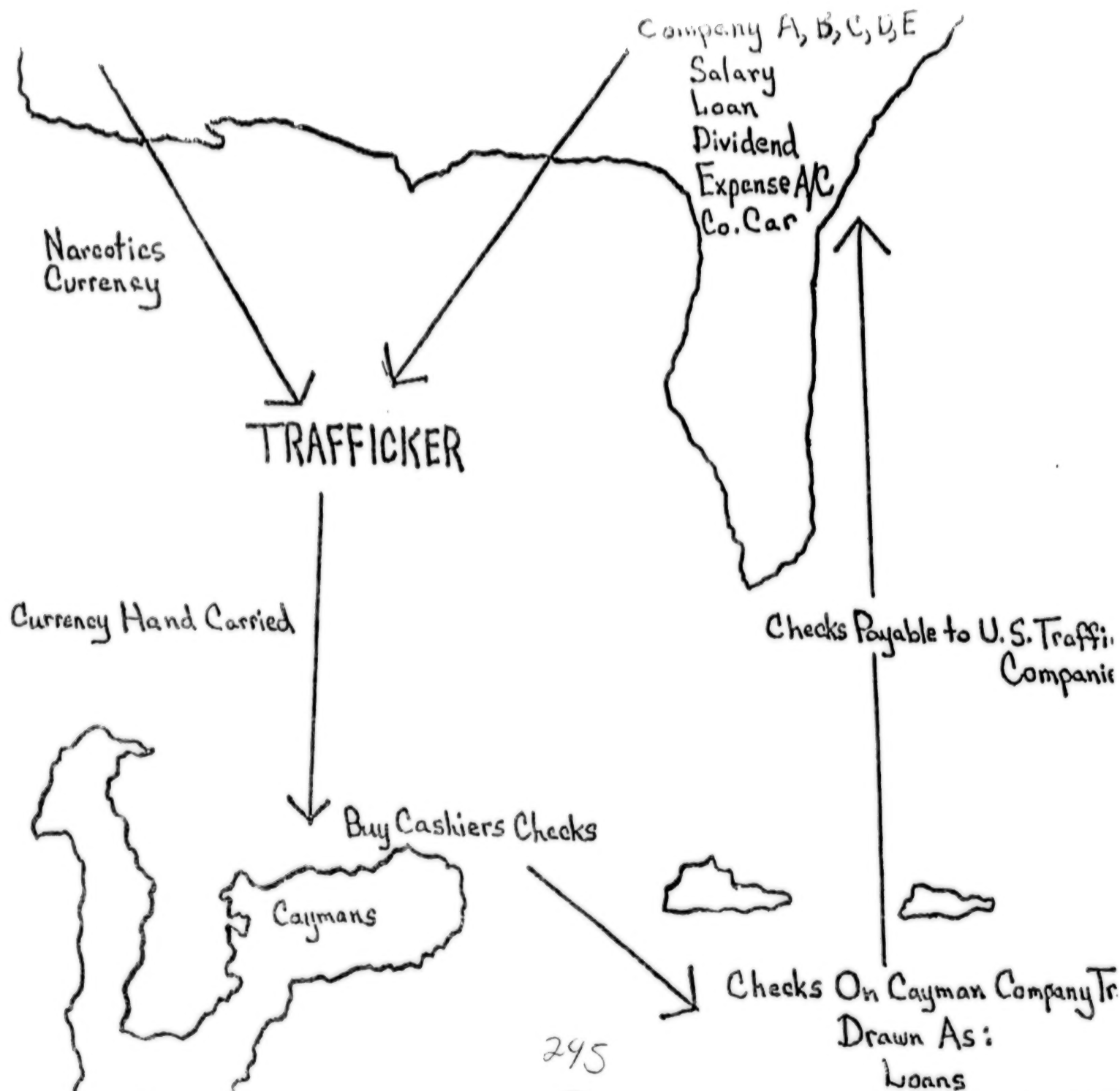
- b. Most havens won't release the assets or forfeit them except under the most egregious of circumstances.
  - E. Finally, laundering offshore eliminates taxes.
- F. What is an offshore facility?
  - 1. Usually exist in a tax haven.
    - (a) Low tax
    - (b) Secrecy of records
    - (c) Banks, financial institutions, companies, trusts, accountants and attorneys dominate industry.
  - 2. Key tax havens
    - a. Caribbean
      - Anguilla, Antigua, Bahamas, Bermuda, Cayman, Montserrat, Netherlands Antilles, St. Vincent, Turks and Caicos.
    - b. Central America
      - Panama
    - c. Europe
      - Liechtenstein, Luxembourg, Switzerland.
    - d. Pacific
      - Hong Kong, Nauru, Singapore, Vanuatu
    - e. Other
      - Liberia, Bahrein
  - 3. Key haven road block to enforcement is secrecy:
    - a. Civil secrecy exists in common law through British case - Union v. Tournier (1907). Duty of a banker to treat his customer's financial affairs as confidential.
    - b. Many havens passed more severe criminal laws to buttress Tournier:
      - (1) Bahamas
      - (2) Cayman
        - Cayman further stiffened its law in light of U.S. v. Field 532F.2d 404 (5th Cir. 1976).
      - (3) Antigua recently enacted Cayman type secrecy laws.
    - c. Many have de facto secrecy arising from inadequate records, unskilled administrators, or corruption.

4. An offshore facility is any device used to facilitate laundering funds.
    - a. Bank
      - (1) Class A
      - (2) Class B
    - b. Company
    - c. Trust
    - d. Other devices "created" with no substance.
  5. Integral part of offshore facility is the offshore agent, accountant or attorney.
    - a. In 1964 Cayman had 1 or 2 multinational banks and virtually no companies. In 1981 they had 30 multinational banks, 300 Class B banks and approximately 13,600 companies.
    - b. Population in 1981 was approximately 15,000.
    - c. A small number of attorneys, accountants and agents handled most of the 300 class B banks and 13,600 companies.
      - (1) These are file folders.
      - (2) One attorney may have hundreds of brass plates.
      - (3) Attorney adds to secrecy in several ways:
        - (a) Shielded by haven secrecy laws.
        - (b) Attorney-client privilege.
        - (c) Client unknown to him.
        - (d) May be co-conspirator.
  6. Haven corporate laws also aid secrecy:
    - a. Allow nominee owners.
    - b. Allow bearer shares.
    - c. No disclosure of beneficial owner required.
    - d. No financial statements required.
    - e. No audits required.
    - f. Can be sold off the shelf.
- D. Havens encourage offshore facilities for economic reasons.
1. Offshores generate up to 20% of Cayman revenues.
  2. Offshores balance the budget for Montserrat.
  3. Offshores have phenomenal economic impact on Bahamas, Bermuda and Panama.
  4. Antigua, deeply in debt; hopes new offshore business will bail it out.



III. Mechanics of the use of offshore facilities - cases studies.

- A. Offshore banking conjures up images of financial wizardry and international tax lawyers and accountants.
- B. However, most of the illegal activity is just a layering of basics.
- C. The crook's objective is simple.
  - A pays B who sends the money offshore where it is laundered and returned to B's use:
    - 1. A could be a dope distributor, a legitimate business, proceeds from a bank robbery or any other SOURCE of money.
    - 2. B, having the money, wishes to conceal it. If it is in currency when received his job is easier. If it is in paper (checks, etc.) he may have to initially launder it in the U.S. to convert it to currency.
    - 3. Now offshore system begins.



- a. Offshore "company" established. Loan companies, finance companies, or trusts are preferable.
    - (1) Established by defendant through haven attorney.
    - (2) Defendant's name does not appear anywhere.
    - (3) All legal documents drawn up by attorney
  - b. Company opens offshore bank account.
  - c. Defendant travels to haven with currency.
  - d. Defendant or his attorney buys cashiers check at bank with haven company as remitter.
  - e. Attorney draws up all necessary loan documents to show loan from haven company to defendant's U.S. company.
  - f. Defendant returns to U.S. with cashiers check.
- Defendant meanwhile formed one or more U.S. "legitimate" companies of which he is owner, manager or employee.
- g. Defendant now makes use of his laundered funds by drawing out salaries, obtaining loans from U.S. company, paying himself dividends, opening a corporate expense account, using company car etc.
    - (1) U.S. company files appropriate tax returns, etc.
    - (2) U.S. company makes note payments, or at least interest payments.
    - (3) Interest is deducted on tax return.
    - (4) If U.S. company "loses" money, losses offset taxes due.
  - h. If loans are questioned by IRS or other enforcement, the U.S. company will obtain full documentation from defendant's attorney in the haven. Inquiries beyond the documents will be blocked by haven secrecy.

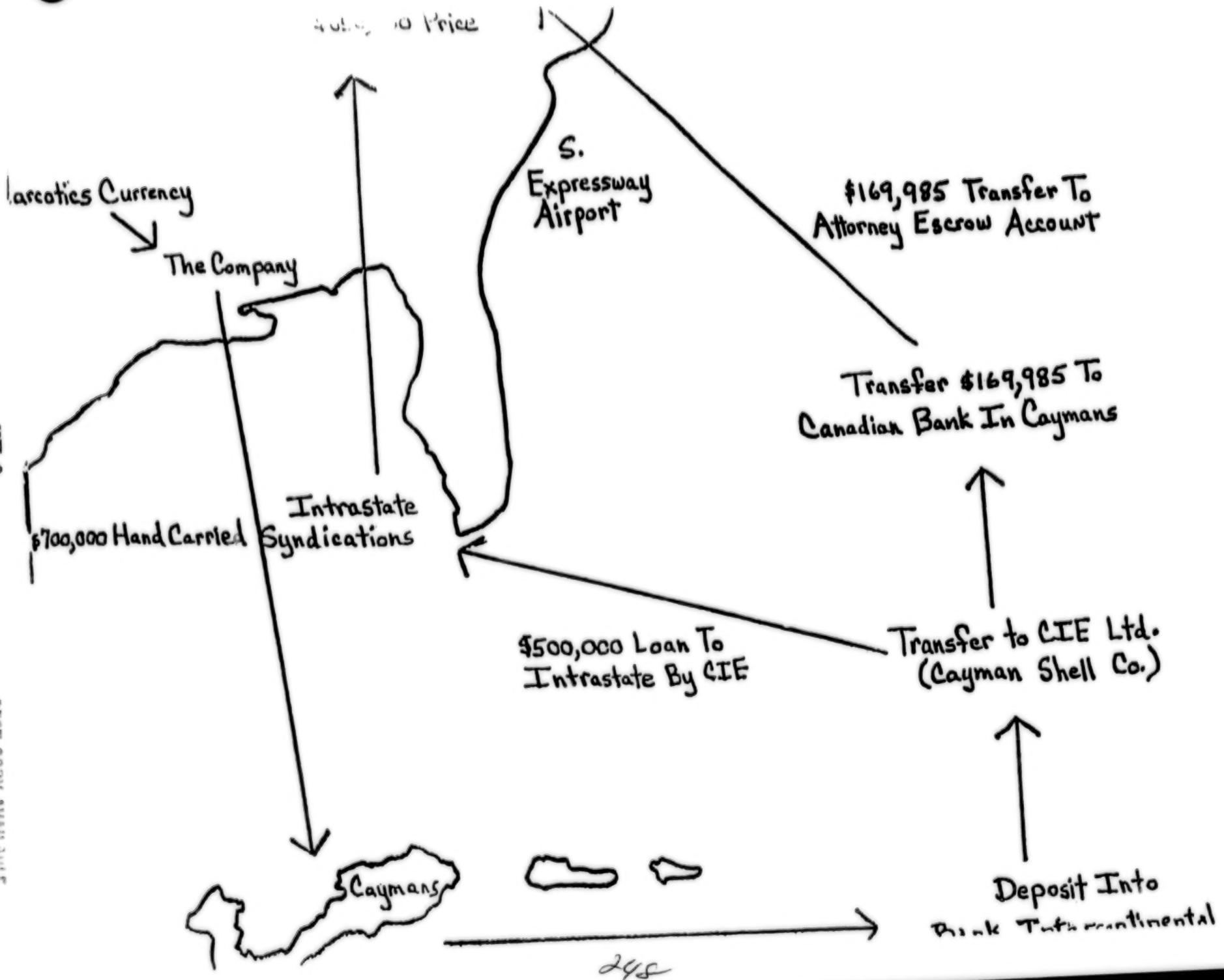
D. This case, though very simple, presents severe problems to enforcement.

- L. In many cases—particularly financial frauds—tracing the proceeds is key to prosecution.
  - a. Defendant in this case received currency so had no need to launder in U.S.
  - b. Took the currency to Cayman in a briefcase and was never questioned.

5. Had defendant kept any of his funds offshore, he would still have them.
  6. Cayman records not required in this case. Even though requested they were denied.
- E. Another narcotics case demonstrates a second layer added to the laundering process.

VII-9

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1. Company was much bigger, multi-million dollar operation and exchanged street bills for \$100s before taking offshore.
  2. Use of three companies and two bank accounts make tracing even more difficult.
  3. Third parties (attorneys, real estate brokers, etc.) had no knowledge these were laundered funds.
- F. A more sophisticated (yet still simple) approach can be demonstrated by a Medicare fraud scheme.

# DIVERTED MEDICARE FUNDS

VII-11

Chicago Home Care  
\$25,000 Michael M  
\$164,924 Pat T  
\$164,428 JoAnn S

Northrad Corp.  
\$152,988 Michael M  
\$50,000 Northrad Corp.

Oaklawn Physical Therapy  
\$156,706 Maureen F

HHA of Will County  
\$75,208 Rose G  
\$111,861 John & Marle K

Southwest Community HHA  
\$50,000 Michael M  
\$10,000 Connle K



ALTERNATIVE  
POWER PROJECT  
PARTNERSHIP



ENERGY  
ENGINEERING  
DEVELOPMENT  
COMPANY,  
CAYMAN ISLANDS



? DISPOSITION  
UNKNOWN

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1. Defendant set up a multi-company scheme to defraud Medicare.
2. "Tax shelter" formed with \$450,000 gave rise to \$1,791,875 in deductions from groups' tax returns with additional deductions still available.
3. \$450,000 "disappeared" in Cayman.
4. Here, defendant laundered funds via highly visible check purporting to represent a legitimate business transaction. All fully documented and documents are available from Cayman—BUT THE MONEY TRAIL (deposits, withdrawals, etc.) ISN'T. Money trail essential to proving case.
5. Defendant now believed to be in Mexico but probably had no need to run. His track record in Home Health would fully justify getting a series of large loans from Caymanian (or Panamanian, or Bahamian, etc.) finance companies to start more Home Health agencies.

G. L. A. attorney laundered both in U.S. and offshore, but knew too much.

1. First laundered currency through local bank. Bribe insured no currency reports filed.
2. Funds wired to Bermuda Trust owned by Liberian bearer share company.
3. Traffickers were beneficiaries of Bermuda trust and could transact transfers via phone using codes.
4. Money could be wired anywhere in world, and was eventually repatriated in the form of loans to the trafficker's company in the familiar pattern.
5. Markowitz's own words explain it simply:

"There is no exposure at all. You don't have to see anybody. You don't have to say your name. They don't know you. You don't know them. End of story. ...You're going to take it out of your right hand pocket and pay it back into your left hand pocket...which I think is a beautiful way to use your money...You haven't transported money out of the United States which is a crime, you haven't taken the risk of carrying it and it's done on a bank to bank basis. Within 48 to 72 hours, I can move the money from Los Angeles to Bangkok or Istanbul or Afghanistan or wherever you want it...And you see, if Uncle then looks at you and says where did you get this money from, well (you say) I borrowed the money from such and such corporation which is an offshore corporation and they're in the money lending business...you see, for 20 to 22 thousand bucks, you get yourself a totally confidential set up."

H. Bribing bank officials is now hazardous and not always necessary.

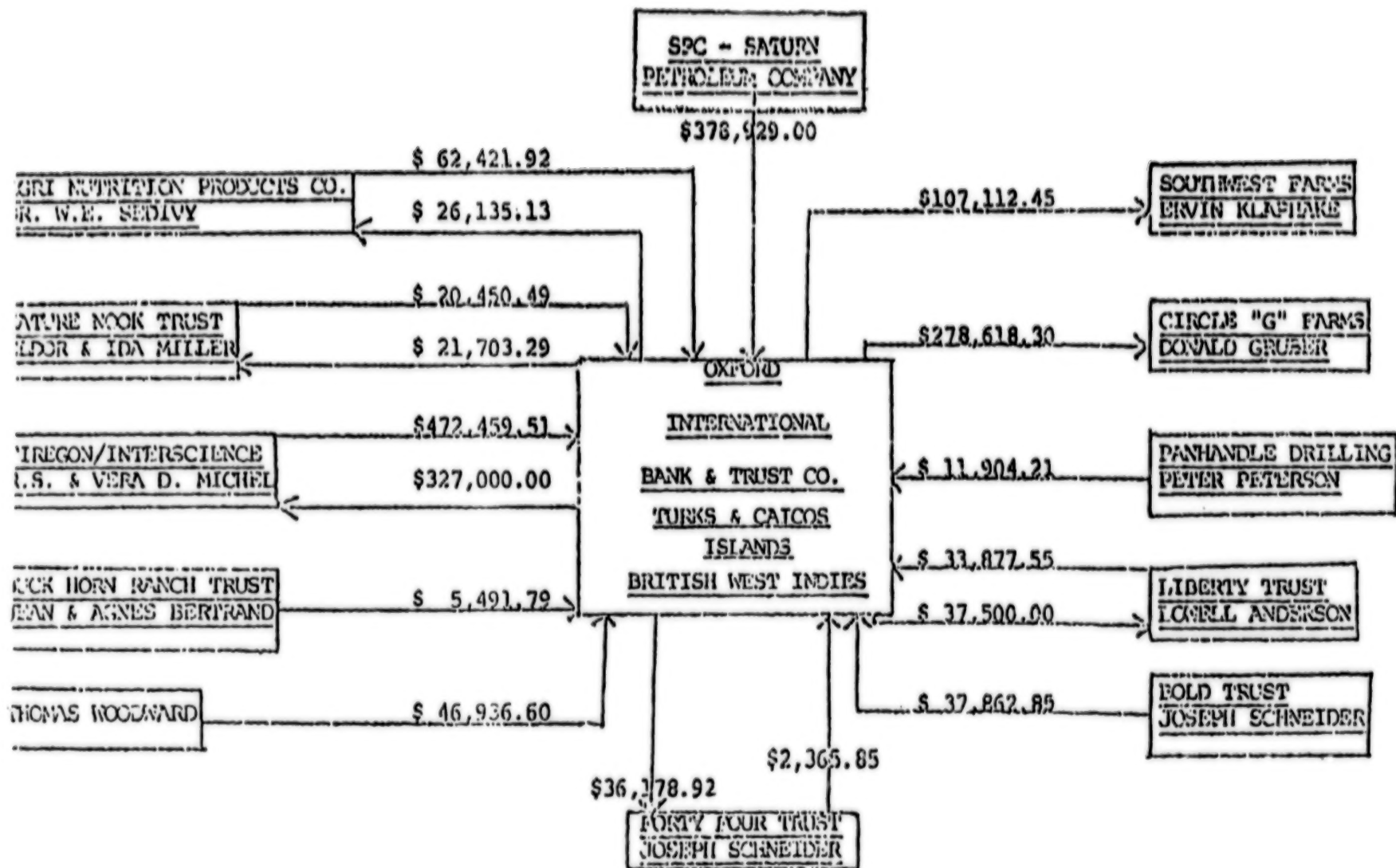
1. Extremely large amounts (\$1 million or more per day) are oftentimes more easily flown out of the country via private or chartered jet.
2. Recent case in Florida stopped accountant flying out with \$5.2 million on private jet. Defendant admitted to making similar trips several times a week. May have laundered up to \$250 million in one year in this fashion.
3. In recent years Colombian currency exchange houses have been effectively used. The houses "buy" U.S. currency in the U.S. and "sell" it via checks all over the world.
4. Another effective method is to open hundreds of accounts in different names throughout the U.S. and deposit currency in them. Even if currency forms are filed, they do not show large enough amounts to arouse suspicion of Federal Law Enforcement Center computers.

L. Again, the goal is to launder funds domestically to a form permitting transfer offshore. Move the funds offshore to break any paper trails. And finally bring them back for use in a form which is disassociated from the perpetrator.

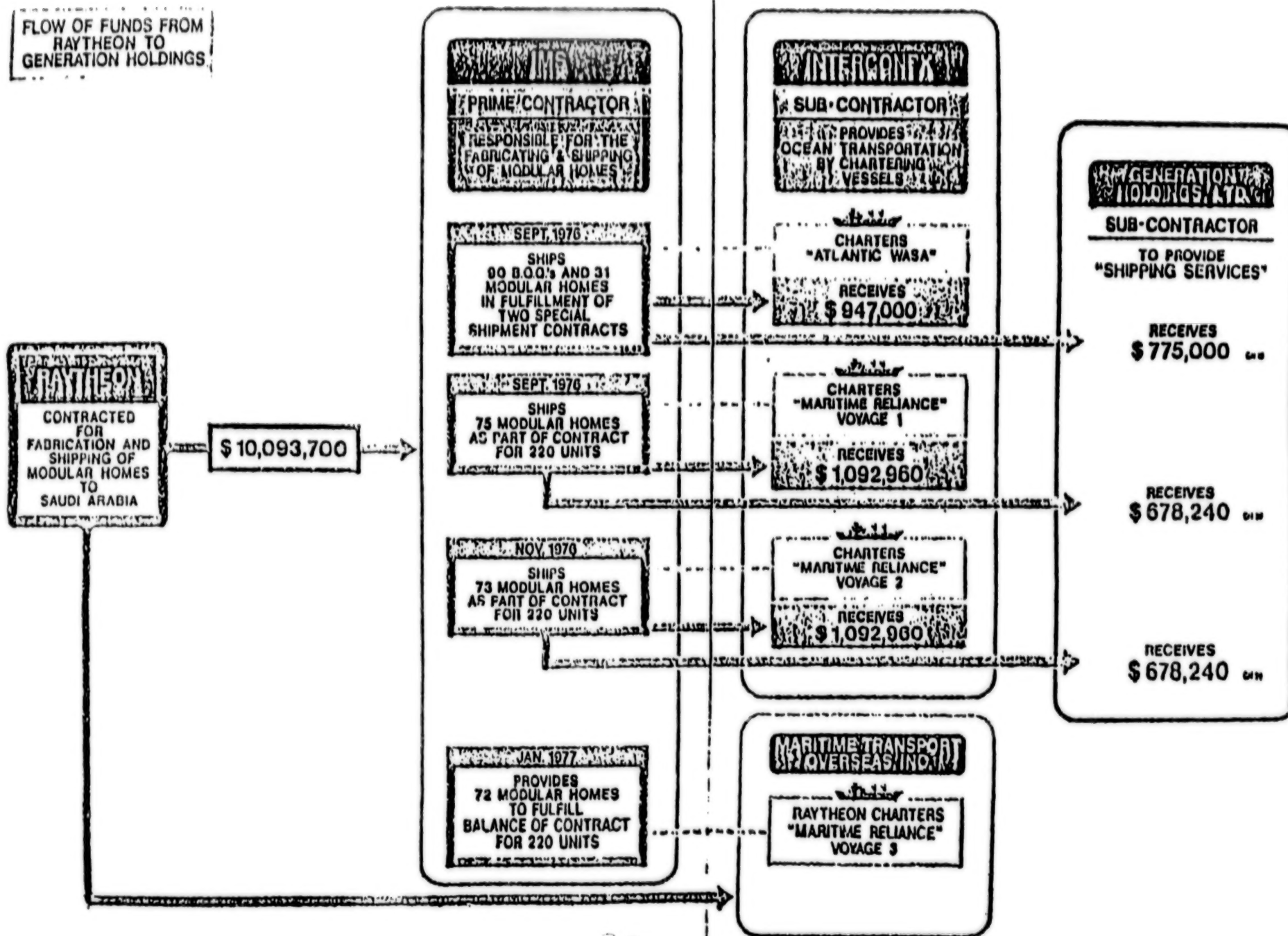
IV. From simple to sophisticated, use of offshores is limitless in application.

A. Tax protestors are making increased use of offshore facilities.

## CASE STUDY: MID-AMERICA GOES OFFSHORE



1. Customer checks go directly to trust accounts in offshore banks. Checks payable to trusts.
  2. Checks coming back to U.S. go to trusts.
  3. Smart protestors put trust accounts out of town or out of state and use an alias. Use proceeds in cash form only and in moderation.
  4. Protestors and others made basic mistake. U.S. items clear U.S. banks and can be traced.
- B. Interconex case is classic example of multi-country, multi-layered laundry, but is only a group of simple steps.



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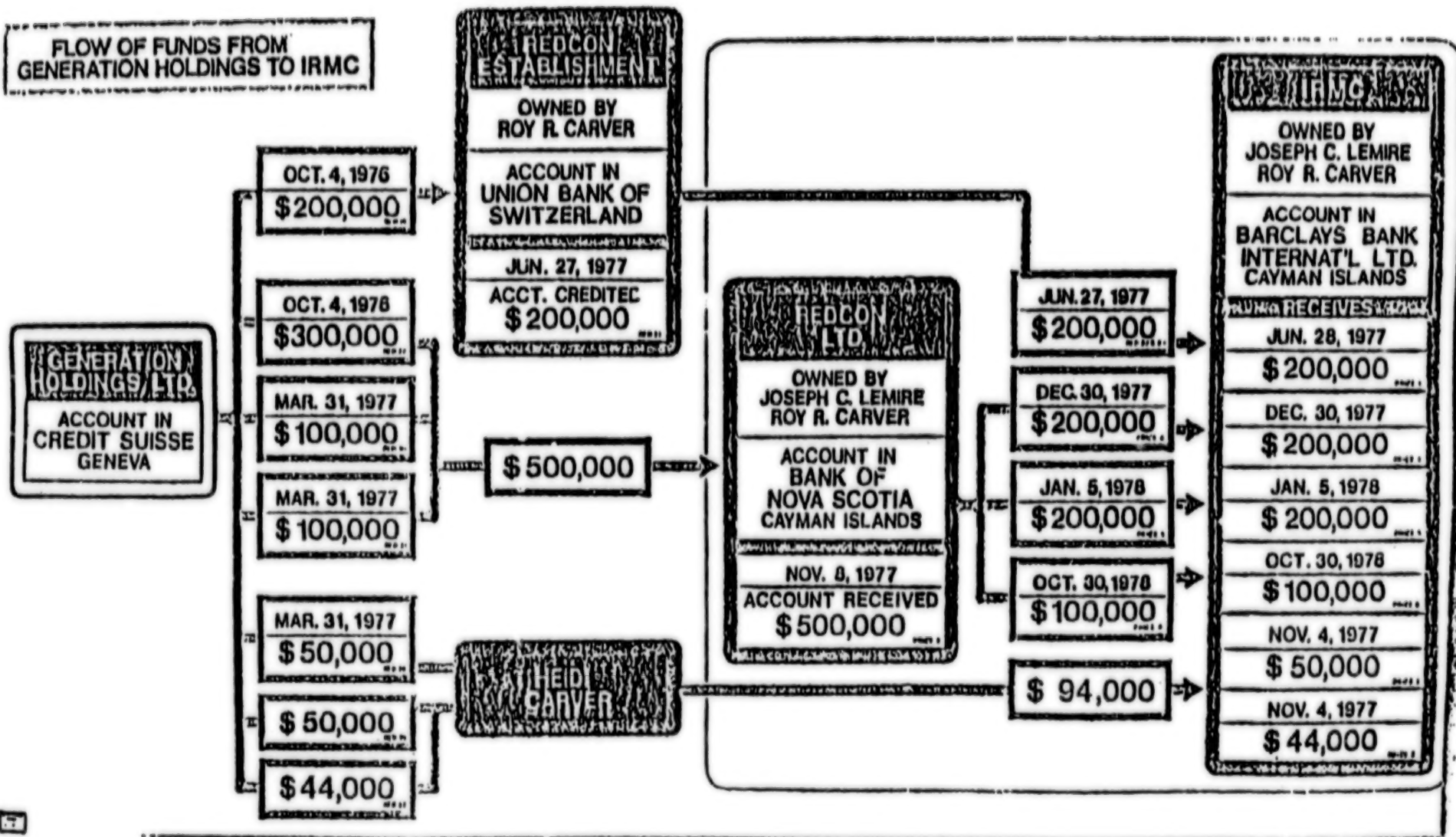
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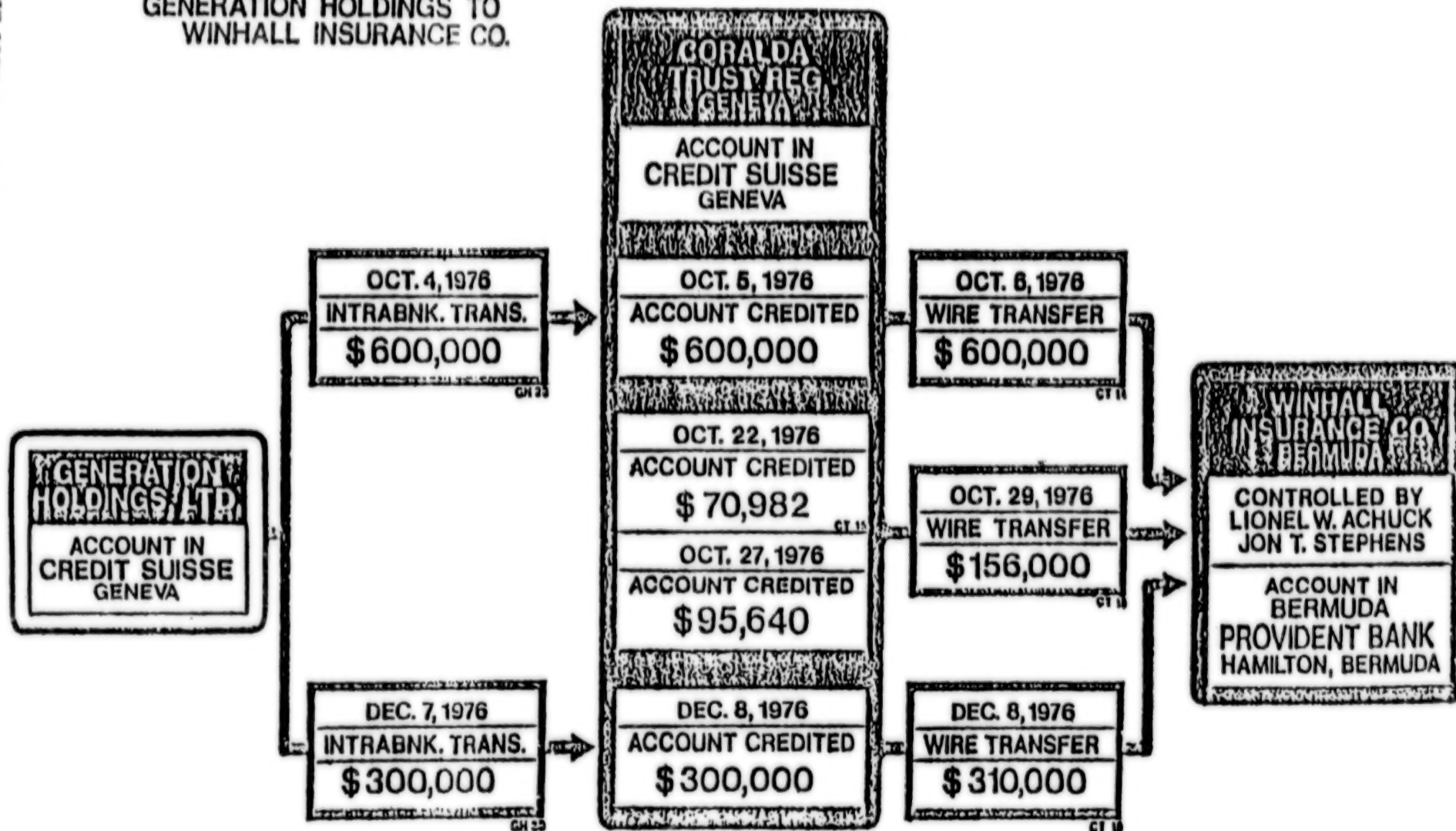
**FLOW OF FUNDS FROM  
GENERATION HOLDINGS TO IRMC**

VII-17

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FLOW OF FUNDS FROM  
GENERATION HOLDINGS TO  
WINHALL INSURANCE CO.

## RAYTHEON COMPANY DEFRAUD

### A Classic Multinational Fraud Case

During the investigation and prosecution of a recently concluded commercial bribery case the Department of Justice sought evidence and investigative assistance from four foreign jurisdictions:

Switzerland;  
Liechtenstein;  
Bermuda; and  
the Cayman Islands, B.W.I.

While these requests met with widely varying degrees of cooperation from the foreign authorities, the assistance that ultimately was provided proved crucial to the completion of the investigation and to the successful prosecution of the defendants.

In essence, this case involved a commercial bribery scheme in which the two principals of a shipping company bribed two employees of a customer company to obtain shipping contracts with shipping charges inflated by approximately \$2 million. The customer, the victim of this scheme, was the Raytheon Company. The funds from these inflated charges, the scheme proceeds, first were diverted to a Swiss bank account nominally held by a Liberian shell corporation. In fact, the Liberian corporation was controlled by the shipping company principals through a Swiss attorney in Geneva. The diversion of the funds to the Swiss account thus enabled the defendants to conceal and disguise the existence and subsequent distribution of the scheme proceeds.

The defendants caused approximately \$1 million of the scheme proceeds to be transferred by means of checks to another Swiss account held in the name of a Liechtenstein entity and to two bank accounts in the Cayman Islands. This Liechtenstein entity was controlled by the two recipients of the bribes through a Geneva attorney and a Liechtenstein attorney. The Cayman Islands bank accounts were held by two Cayman Islands companies, each of which was controlled by the bribe recipients.

The bribers' share of the proceeds, approximately \$1 million, was transferred to another Swiss account held by a Liechtenstein entity that they controlled and then, by wire transfers, to a Bermuda bank account in the name of a Cayman Islands company they owned. At least some of the these funds were then "laundered" by means of sham loan arrangements involving a Netherlands bank; in these loan arrangements the funds were used to secure loans to the defendants.

## A. Switzerland

The Swiss Treaty request filed under the United States-Swiss Treaty on Mutual Assistance in Criminal Matters was the most complex and time-consuming for the Department of Justice prosecutors. In all, nearly three years were spent in pressing this request before all of the essential items of evidence were obtained.

The formal request, which asked chiefly for bank account records, was filed with the Swiss Central Authority in September of 1978. On November 3, 1978, the targets of the investigation caused an "opposition" to be filed with the Swiss authorities in which objections were raised to the execution of our request. Thereafter, we filed both a response to the opposition brief as well as a supplemental request, which asked that a Swiss lawyer, whom we had just identified, be deposed about his activities in the fraud scheme.

The Swiss Central Authority consolidated the original and supplemental requests and on April 10, 1979, rejected the oppositions filed against each of our requests. Pursuant to the Swiss implementing legislation, the opposing parties were granted thirty days in which to appeal the decision to the Swiss Federal Court and during this period appeals were filed. On August 8 the Swiss Federal Court began its deliberations on this matter and on September 28 it rejected the appeals; however, the implementing legislation provided for appeal to a special "consultative" commission and the opposing parties were granted leave to file their appeal briefs.

The president of the consultative commission set the meeting of the commission for July 9, after which the appeals were rejected by a commission decree of August 26; the opposing parties then filed an administrative appeal with the Swiss Federal Council, a body somewhat akin to our federal Cabinet.

The Federal Council formally rejected the appeals on February 11, 1981, and on February 17 the Swiss Central Authority dispatched documents and testimony gathered pursuant to our request. Many of these documents had been redacted to remove the names of certain allegedly uninvolved third parties.

In early May 1981 the Swiss Central Authority issued decrees denying the objections of three "uninvolved" parties to disclosure of their identities in certain of the bank account documents. The parties thereafter filed appeals with the Swiss Federal Court. In mid June the objection of a fourth party was denied; this decision likewise was subsequently appealed to the Federal Court. In the meantime, during mid May, the Department of Justice prosecutors attended the re-examination of the Swiss lawyer in Geneva. Although this deposition was much more fruitful, principally because the prosecutors were there to press the questioning, the Swiss lawyer refused to answer several crucial questions on grounds of attorney-client privilege.

Upon their return to the United States the prosecutors, acting through the U.S. Central Authority, the Office of International Affairs in the Department of Justice's Criminal Division, requested the Swiss Central Authority to cause the attorney-client assertion to be adjudicated and to compel the lawyer to answer the questions or face contempt. This request was relayed to the examining magistrate.

Near the end of July 1981 the Department of Justice prosecutors were faced with a serious problem. The statute of limitations would run in late September on the first, and perhaps strongest, counts of the proposed indictment. The appeals of the four "uninvolved" parties were still pending before the Swiss Federal Court and there had been no adjudication of the attorney-client claim.

Thus in late August the prosecutors and a member of the U.S. Central Authority returned to Switzerland for the additional depositions. As had been hoped, just as the depositions got underway the Federal Court issued its decrees rejecting the appeals of the four opposing parties. Thereupon the Swiss Central Authority identified each of the parties and handed over unredacted copies of documents relating to them. In addition, we also obtained original checks from the primary bank account.<sup>1/</sup> Because the appeals were rejected at the early stages of the depositions, we were permitted to include in our questions references to the previously unidentified parties and thereby obtain significant evidence as to their complicity in the scheme and the ultimate disposition of the scheme proceeds. Although the Swiss lawyer continued to assert the attorney-client privilege, the Department of Justice prosecutors were successful in extracting from him, under intense questioning, much of the information that he was trying to shield.

The evidence obtained during this trip was presented to a federal grand jury in early September and an indictment was returned on September 10, 1981, approximately ten days before the statute of limitations was to run out on the first counts. Although we pressed the Swiss authorities to adjudicate the validity of the Swiss lawyer's assertion of the attorney-client privilege, there was never any adjudication of this issue. Thus the targets of the investigation succeeded in preserving their anonymity in the scheme transactions carried out by their Swiss lawyer and, as a consequence, the Department of Justice prosecutors were compelled to rely solely on circumstantial evidence to implicate the defendants in the Swiss transactions.

After the indictment of this case, depositions of the Swiss witnesses were taken in Switzerland for use at trial. Again, however, the Swiss lawyer refused to answer certain key questions on grounds of attorney-client privilege and again we were unable to obtain an adjudication of this issue by the Swiss judicial authorities.

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<sup>1/</sup> Fingerprint analysis identified a defendant's fingerprint on one of the checks obtained from the Swiss bank account.



#### B. Liechtenstein

After indictment, and at the government's request, a letters rogatory application was issued to the judicial authorities of Liechtenstein by the U.S. District Court for the District of Columbia, the Honorable Norma Holloway Johnson presiding. Shortly after the application was filed, a Liechtenstein court granted the requested assistance and during August 1982 the Liechtenstein witnesses were deposed in Vaduz, Liechtenstein. This testimony and related documentary evidence produced at the time of the depositions were introduced at trial by the government.

#### C. Bermuda

As British Colonies, both Bermuda and the Cayman Islands follow the general British practice of denying requests for investigative assistance in the pre-indictment stage of a case. Once the indictment was returned, however, our letters rogatory request for Bermuda was issued by our trial court. The attorney general of Bermuda received the letters rogatory papers and filed these with the court in Bermuda, which quickly granted the requested assistance. The subsequent deposition proceeding produced significant testimony and documentary evidence that was used at trial.

#### D. Cayman Islands

Our post-indictment experience with the Caymanian authorities was in marked contrast to the assistance rendered in Bermuda. Shortly after the indictment was returned, we learned that a businessman from the Cayman Islands, who had been associated with the defendants, was visiting in the United States. This individual was served with a subpoena and within a short time his U.S. counsel advised us that he would comply with the subpoena. At the same time, counsel requested that we assist the witness in obtaining from the Cayman Islands Grand Court a release from the provisions of the Cayman Island business and professional secrecy act. We agreed to do so provided the application for release did not produce unreasonable delay. In early October 1981 the case prosecutors met with the attorney general of the Cayman Islands and provided him and his associates a comprehensive three hour briefing on the case. After the briefing, the attorney general indicated that he was satisfied that we had a prima facie fraud case and that, as amicus to the Grand Court, he would advise the court that he had no objections to the witness' testifying in the United States. On the next day, the Grand Court issued an order permitting the witness to testify. Subsequently, the witness appeared in the United States and testified.

Based on this positive precedent and with the approval of the Caymanian authorities, we filed with the Cayman Islands government a formal request under their business secrecy law. In the request we asked for assistance in obtaining bank records,

local company records and testimony of witnesses in the Cayman Islands. The request was approved by the appropriate officials and by the executive committee of the legislature, which authorized the police to gather the requested evidence. At this point, however, complications developed. The banks refused to produce any documents unless compelled to by court order. The attorney general notified us that he could seek such orders only if we filed letters rogatory.

We immediately prepared and submitted to the trial court a letters rogatory request, which was promptly issued by Judge Johnson. Unfortunately, the Cayman Islands attorney general indicated that his office, for various reasons, could not assist in filing the request with the Grand Court. Instead, he advised that we would be required to retain local counsel to represent the United States in this matter.

Eventually we retained both local Cayman counsel and another attorney whose practice involved extensive litigation in the courts of several Caribbean countries including the Cayman Islands. Through our retained counsel we then filed the letters rogatory application. After several hearings the Cayman Grand Court denied, in substance, the request for judicial assistance. On the advice of our private counsel we appealed this decision to the Cayman Court of Appeal.

After lengthy hearings in which the Cayman government argued in opposition to our request, the appeals court, in a landmark decision, granted the letters rogatory application, piercing for the first time Cayman bank secrecy. Thereafter, in July 1982, the Cayman bank officers and business agents named in the request appeared at deposition proceedings in Grand Cayman, produced documents including bank account records, and were deposed. The Cayman evidence thus obtained established a vital link in the chain of proof required for this prosecution.

#### Observations and Conclusions

This prosecution is noteworthy in several respects. First, the Department's success in obtaining an order from the Cayman Court of Appeal, piercing Cayman bank secrecy for the first time in a foreign prosecution, establishes a valuable precedent for future requests to the Cayman courts for assistance in other United States prosecutions. The Cayman Court of Appeal order also marks the first time that videotaping of depositions has been authorized in the Cayman Islands.

This case also highlighted a potentially serious problem regarding the United States-Swiss Mutual Assistance Treaty. The Swiss Treaty request filed in this case was the first such request to have been litigated through every level of appeal provided in the Swiss domestic implementing legislation. This lengthy appeals process consumed almost two and one-half years and very nearly extended the investigation past the applicable statute of limitations.

Particularly well illustrated in this case are the benefits enjoyed by defendants who employ foreign bank secrecy jurisdictions and other "offshore" transactions in their schemes:

- 1) Evidence concerning foreign transactions is difficult to obtain in admissible form;
- 2) Obtaining foreign evidence is time consuming; and
- 3) Obtaining foreign evidence is an expensive process.



V. Piercing offshore secrecy is extremely difficult, time consuming and expensive:

A. Most successful cases have involved undercover operations, the use of insider informants, "flipped" defendants, or the use of correspondent accounts in U.S. banks.

B. Aggressive enforcement of Title 31 has given Treasury and Justice additional tools with which to combat large money laundering operations.

1. Obviously, the more roadblocks enforcement throws up to the launderer, the more exposure the launderer has.

2. A large laundry now involves substantial risk.

C. Justice Department carrot and stick approach has had beneficial results:

1. Long-term negotiations have resulted in substantial changes in Swiss law.

2. Aggressive enforcement against Cayman banks and their officers have established advantageous legal precedent requiring testimony in some cases regardless of haven secrecy.

D. Information sharing amongst enforcement agencies may prove extremely beneficial. According to Glenn Archer, Assistant Attorney General, Tax Division:

"...too few people, both in and out of Government are adequately informed of the pervasiveness of the use of tax haven countries for money laundering and other illegal activities. As in many areas, and I think this is one of them, it is frequently difficult to combat a crime problem without a strong public awareness and concern."

E. Legislative efforts should also add significant weapons to the enforcement arsenal:

1. Proposed amendments to Title 31.

a. Elevates misdemeanor to felony.

b. Adds attempt provision.

c. Allows reasonable cause searches.

- d. Establishes payments to informants.
  - e. Includes Title 31 in RICO.
  - f. Includes Title 31 in Title 3.
2. Caribbean Basin Initiative.
3. Other changes being considered:
- a. Include foreign business records in Federal Shop Book Rule.
  - b. Toll the statute of limitations and the speedy trial act during the period required to obtain foreign documents.
  - c. Require any objections to requests for foreign judicial assistance to be filed in the U.S.
  - d. Allow U.S. legal representatives to attend foreign depositions to ensure that they conform to U.S. rules of Civil Procedure.
  - e. Require secrecy waivers as a condition prior to entering U.S. capitol market.
  - f. Treasury is drafting regulations to give it additional access to foreign account records in U.S. banks.



# Department of Justice

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STATEMENT OF D. LOWELL JENSEN  
ASSISTANT ATTORNEY GENERAL  
CRIMINAL DIVISION  
U.S. DEPARTMENT OF JUSTICE

CONCERNING LAW ENFORCEMENT PROBLEMS ARISING  
FROM FOREIGN BANK SECRECY LAWS AND PROPOSED REMEDIES

BEFORE THE  
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
COMMITTEE ON GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

MARCH 15, 1963

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to present the views of the Department of Justice on the serious and complex problems posed by the use of banks and other financial institutions located in foreign countries in connection with criminal activity in violation of United States laws. My testimony today will address our view of the nature and scope of these problems, the measures we have taken to better cope with them, the steps we plan to take to improve our ability to deal with them, and the possible need for the legislative support of Congress to provide us with additional tools to assist our efforts.

For the first fifty years of this country's history, crime was almost entirely a local problem. The slowness of travel and communications effectively precluded any significant amount of interstate criminal activity. Over the following 130 years, as our transportation and communications systems improved, interstate criminal activity became a constantly increasing problem. Congress responded through the passage of a growing number of federal criminal laws designed to permit United States law enforcement authorities to better deal with this problem. While the increase in the level of interstate criminal activity has been an increasing concern, such activity takes place within the borders of the United States; therefore, Congress has the power to grant the Executive and Judicial Branches

sufficient authority to adequately investigate and prosecute it, since the investigative powers of the federal criminal investigative agencies and the processes of the federal courts extend throughout the territory in which this criminal activity takes place.

However, with major advances in transportation, communication, and data processing technology in the past fifteen years, the world has effectively become a much smaller place. No longer is it rare to encounter criminal activity affecting the United States which transcends our national borders. Transnational criminal activity is being encountered with ever increasing frequency. For example, in the 1960's the number of extradition requests to and from the United States seldom exceeded twenty per year. By 1978, that number had risen to 100. In 1982, we made or received 338 extradition requests.<sup>\*/</sup> We fully expect the increase of such requests to continue. Moreover, this increase represents only the tip of the iceberg because the costs associated with international extradition make it useful only in the most important cases. Indeed, while more than two-thirds of the extradition requests made or received by the United States in 1982 related to fugitives wanted for crimes of violence or narcotics offenses, it is clear that non-violent criminal activity which is unrelated to narcotics

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<sup>\*/</sup> A summary of fugitive extradition requests for calendar years 1979 - 1982 is included in the Appendix.

offenses is becoming an increasing problem, and much of the success of such conduct is directly attributable to bank secrecy laws, as evidenced by the Interconax case, which I will discuss shortly.\*/

While Congress has the authority to confer adequate powers on the other branches of government to cope with the transition from purely local to interstate criminal activity because all such activity occurred in the United States, its ability to provide federal law enforcement authorities and courts with sufficient means to deal with transnational criminal activity is much more circumscribed. We are no longer dealing with one sovereign nation, but with many. The activities of United States investigative agents and prosecutors involved in such cases are regulated not only by United States law, but also by the laws of the countries in which all or part of the criminal activity with which they are concerned took place. And, the effect of United States court orders supporting our efforts to obtain investigative information and evidence is limited to a significant extent by the willingness and ability of affected foreign countries to permit the execution of those orders.

Thus, if we are to deal effectively with such activity, we must enlist the cooperation of the affected foreign countries. No longer is the problem a purely

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\*/ Included in the Appendix is a detailed description of the Interconax case.

domestic one. It has become one which can and does affect our foreign policies and relations, and it is one which has become of increasing concern to the State Department. For example, during the past year, the ability of the Justice Department to obtain information from certain Caribbean based banks which were (and continue to be) used to launder proceeds from drugs and narcotics activities has become a growing issue between the United States and some of those countries which now claim financial dependence on the same banking operations for economic stability.

As this Subcommittee has noted, banks in foreign jurisdictions play a prominent role in international criminal activity affecting the United States. The role of foreign banks in so-called "offshore" bank secrecy jurisdictions is of particular importance.

While banks in certain Caribbean countries are presently playing a significant role in transnational criminal activity affecting the United States, it is a mistake to limit the inquiry to such "offshore" banks. The problem is a world-wide one. Bank secrecy jurisdictions exist all over the world, and their proliferation is continuing. Therefore, resolving our problems with one such country or jurisdiction, can result in criminals merely shifting their activities to other countries or jurisdictions. Moreover, it is a problem involving not only



small local foreign banks, but one increasingly involving branches of many of the world's largest banks.

Let me address the noteworthy Interconex case, a case that did not involve drugs or violent crime. Rather, this was a commercial fraud case, the victim was the Raytheon Company - and involved a scheme to defraud the Raytheon Company of more than \$2 million. The scheme employed by the defendants related to certain contracts awarded by Raytheon for the fabrication and shipment of modular housing for a major Raytheon air defense project in Saudi Arabia. The defendants paid a bribe of more than \$1 million to certain Raytheon employees to guarantee the awarding of shipping subcontracts for the modular housing in Saudi Arabia. These shipping subcontracts contained inflated charges of more than \$2 million, which the defendants diverted to a Swiss bank account. These funds ultimately were distributed through a series of complex transactions involving Swiss, Bermuda, Liechtenstein and Cayman Islands banks and companies.

The detailed facts of that case and the indefatigable efforts of the Department of Justice prosecutors demonstrate several salient features that this Subcommittee should not overlook. First, bank secrecy laws can be used improperly to protect commercial swindlers; second, sophisticated criminals use multiple countries with

bank secrecy laws to delay and ultimately frustrate legitimate law enforcement investigators beyond the statute of limitations periods and thereby escape prosecution; third, foreign countries rely upon slow, time-consuming and very expensive law enforcement techniques such as letters rogatory at the expense of legitimate and reasonable law enforcement needs.

It is a mistake, however, to condemn bank secrecy, per se, because it is being abused in some countries and jurisdictions. Persons and companies transacting business with and through banks are entitled to a reasonable degree of privacy in connection with such business transactions. The United States itself, through the Right to Financial Privacy Act, recognizes this right. The critical question is not whether a country has bank secrecy laws, but whether the country has built into its laws effective and efficient means of piercing bank secrecy where there is reasonable suspicion that a bank account has been used in connection with a crime or as the depository of the proceeds of a crime.

For example, Switzerland has long been regarded as the model bank secrecy jurisdiction. Yet, through the Mutual Assistance Treaty in Criminal Matters ("Treaty") between our countries and the enactment of appropriate enabling legislation in Switzerland, law enforcement and

privacy interests have been placed in proper perspective. In the six years the Treaty has been in force, the United States has made more than 200 requests under the Treaty. More than two-thirds of those requests have asked for, among other things, bank records. The bank records we have obtained under the Treaty have been very instrumental in many important successful prosecutions, and, in many instances, have been cited by judges as the basis for enhancing sentences of convicted offenders.

Because of the effectiveness of the Treaty and the potential effectiveness in general of mutual assistance treaties in criminal matters, we have made the negotiation of such treaties with other key countries an important element of the Justice Department's program to combat transnational crime. A mutual assistance treaty in criminal matters is now in force with Turkey, and treaties with Colombia and the Netherlands (including the Netherlands Antilles) have been advised and consented to by the Senate and are awaiting ratification by our treaty partners.<sup>\*/</sup> A treaty with Italy was recently signed by Attorney General William French Smith, negotiations with West Germany are nearing conclusion, and negotiations with Jamaica will resume within the next two months.

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<sup>\*/</sup> Unfortunately these mutual assistance treaties cannot be used for tax or "fiscal" crimes, and thus, because of the unwillingness on the part of foreign countries to grant access to bank records to the U.S. law enforcement agencies investigating tax fraud and tax evasion matters we must seek other avenues for obtaining such information and evidence.

In some instances, we have employed foreign counsel to represent the United States in connection with requests for letters rogatory for bank records. In the past two years, we have obtained bank records from the Bahamas in at least six instances through such use of private counsel. In the Interconex case, private counsel was used to successfully obtain bank records from the Cayman Islands.

Despite the successes we have achieved through the use of private counsel, we do not view this costly, time-consuming method to offer a viable, long term solution to the problem of obtaining foreign bank records. This is wholly unsatisfactory and altogether too expensive. It is the position of the Department of Justice that the foreign government should represent the U.S. in its requests for information in foreign courts.

In order to help induce bank secrecy jurisdictions to enter into mutual assistance treaties with the United States, we are considering the feasibility of designing all future treaties in a manner that will permit the forfeiture of narcotics trafficking monies to our treaty partners in whose bank the funds are deposited. The Swiss Treaty, through the operation of Swiss law, permits such forfeiture to the canton in which the bank account is located. Over the past two years, the Swiss have frozen,

and are in the process of forfeiting, amounts estimated to be as high as \$20,000,000 in narco-dollars pursuant to information provided to them under the Treaty. Given the magnitude of narco-dollar accounts in many bank secrecy jurisdictions, the possibility of such forfeitures should offer a significant incentive to enter into mutual assistance treaties in criminal matters and to implement them in a manner that will be mutually beneficial to both parties

Where problem bank secrecy jurisdictions fail to reach a reasonable accommodation between bank secrecy and the requirements of bona fide reasonable law enforcement interests, other measures will be aggressively pursued: First, we shall be obligated to resort to the service of subpoenas on the United States branches of banks whose foreign records we seek. This approach was most recently sanctioned by the United States Court of Appeals for the Eleventh Circuit in United States v. Bank of Nova Scotia, 691 F.2d 1384 (11th Cir. 1982). Second, we shall, after careful review by Department of Justice officials in Washington, D.C., subpoena appropriate officers of foreign banks if they enter the United States where they are concluded to be material witnesses. See, United States v. Field, 532 F.2d 404 (5th Cir. 1976). Third, we shall, applying comparable standards and review within the Department, subpoena attorneys and agents for foreign corporations

who travel into the United States involved in money laundering schemes to testify and to produce records of the corporations. United States v. Bowe, 694 F.2d 1256 (11th Cir. 1982)

Until we can obtain the level of cooperation from other bank secrecy jurisdictions which we have obtained from the Swiss and certain other countries, foreign bank secrecy laws will enable criminals to successfully avoid indictment and prosecution in the United States. The problem presented by the use of banks in such bank secrecy jurisdictions is particularly acute in connection with financial investigations of high level narcotics traffickers and financiers who use banks in such jurisdictions to launder the astronomical profits they make from preying on our society. Many narcotics financial investigations have been frustrated by the invocation of bank secrecy laws. Such use of bank secrecy laws plainly frustrates law enforcement agencies which seek only to protect the public from such criminals and thus, unreasonable bank secrecy should not be tolerated by the international community.

In addition to frustrating major narcotics investigations, the improper application of foreign bank secrecy law has also played a substantial role in obstructing the investigation of numerous fraud schemes using banks in such jurisdictions as instrumentalities in carrying out



such frauds or as facilities for laundering their proceeds. Finally, as Assistant Attorney General Archer and Commissioner Egger will testify, banks in these jurisdictions are being increasingly used in numerous criminal tax fraud and tax evasion schemes, and, as already described, constitute a focus joint criminal and tax investigations of international narcotics traffickers. Their testimony will deal in depth with these matters.

The predominance of the foreign bank secrecy problem in discussions of transnational law enforcement problems affecting the United States should not obscure the need for us to take other steps to improve the effectiveness of United States law enforcement efforts in this area. Many of these improvements can be accomplished without legislation.

First, in an effort to improve coordination of our overall federal effort, the Department of Justice recently sponsored a highly successful conference on obtaining evidence from foreign jurisdictions among senior level federal prosecutors and investigators, almost all of whom



had significant experience in international investigations, to discuss their activities, the successes they had achieved, and the problems they had encountered in conducting those investigations.\*/ Based on the success of this conference, we anticipate holding future conferences on obtaining evidence from foreign jurisdictions on a regular basis.

Second, many impediments to the successful investigation of international criminal activity affecting the United States may be overcome through changes in agency rules and regulations without the need for new legislation. For example, much of the clearing of transactions for banks in Caribbean bank secrecy jurisdictions is done by correspondent banks in the United States. However, there is no requirement that such correspondent clearing banks file a report with any of the bank regulatory agencies as to the foreign banks for which they are acting in this capacity. Identifying such correspondent banks would enable us to pick up many transactions of investigative interest without having to seek the records of the foreign bank itself.

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\*/ Agencies participating in at the Conference were the Federal Bureau of Investigations, Drug Enforcement Administration, Internal Revenue Service, U.S. Customs Service, Postal Inspection Service, U.S. Marshals Service, Comptroller of the Currency, Federal Reserve Board, U.S. Interpol National Central Bureau, Security Exchange Commission, and Department of Commerce.

Finally, in response to the Subcommittee's specific request for suggestions, there are a number of areas in which legislation may be appropriate in order to assist the efforts of United States law enforcement authorities in combatting and investigating international criminal activity affecting this country. Neither the Department nor the Administration is formally recommending specific legislation, but some areas for discussion are:

1. Further removing obstacles to information sharing between federal law enforcement agencies. At present there are restrictions on United States criminal investigative agencies prohibiting them from sharing critical information about criminal activity which transcends agency jurisdiction.

2. Changing the Federal Rules of Evidence to facilitate the introduction of foreign business records -- particularly foreign bank records -- on the basis of the certification of the custodian of those records, before an appropriate foreign official, that they were kept in accordance with the requirements of Rule 903(6) of the Federal Rules of Evidence. The signature of the foreign official would then be authenticated in accordance with Rule 902(3) or the applicable mutual assistance treaty in criminal matters, and the records would be admissible in United States court proceedings unless the defendant could make a proper showing that there was significant reason to believe the records lacked trustworthiness.

3. Criminalizing attempted violations of the Bank Secrecy Act with respect to exportation of currency and monetary instruments from the United States, and specifically authorizing customs searches of persons and property leaving the United States.

4. Increasing penalties for failure to report the import or export of currency and monetary instruments, and for the failure to report beneficial interests in foreign bank accounts on income tax returns.

5. Amendment of statute of limitations provisions to exclude time required to obtain foreign evidence when there is a showing that the defendant made use of the foreign jurisdictions in committing an offense.

6. Enact federal legislation:

- a) to authorize expressly the issuance of requests for international judicial assistance when it is shown that relevant evidence exists abroad;
- b) to require defendants to pay the costs of obtaining evidence abroad when it is there due to actions of the defendant;

- c) to require that any objections to requests for foreign judicial assistance be filed with the trial court and not in the foreign courts;
- d) to authorize U.S. District Judges to attend foreign depositions proceedings or, in the alternative, to appoint special masters as provided in Federal Rule of Civil Procedure 53;
- e) to provide that a deposition taken in a foreign country and recorded in a manner other than a verbatim record is not inadmissible simply because it is not verbatim.

7. Modify costs statutes to authorize the trial court to impose on defendants costs of investigation as well as prosecution.

8. Consider amendment of the Speedy Trial Act to designate as excludable time the period between the issuance of a request for international judicial assistance and its execution by the foreign judicial authority or until such time as the issuing court determines that there is no reasonable expectation of receiving such assistance.

The tremendous growth in the importance of international criminal activity in the United States is a relatively recent phenomena. The Department of Justice is fully aware of the magnitude of this problem, and intends to play a leadership role in developing measures and programs to effectively deal with it. Such measures and programs, of course, will be significantly dependent on Congressional support. In this respect, we are very pleased with this Subcommittee's interest in the problem and the fine work it and its fine staff are doing.

EXTRADITION: FUGITIVES REQUESTED BY CATEGORIES OF CRIMES

Source of Request	Category of Crimes	CY 1979		CY 1980		CY 1981		CY 1982	
Foreign	Violent*	18	25.4	20	20.3	32	27.4	38	37.6
	Narcotics	22	31.0	25	25.3	28	23.9	20	27.7
	Violent & Narcotics	40	56.3	53	53.5	60	51.3	66	65.3
	White Collar	30	42.3	31	31.3	49	41.9	32	31.7
	Other	1	1.4	15	15.2	8	6.8	3	3.0
U.S. Federal	Violent*	6	11.1	25	28.4	16	15.2	20	16.3
	Narcotics	27	50.0	22	25.0	37	35.2	80	46.5
	Violent & Narcotics	33	61.1	47	53.4	53	50.5	100	62.8
	White Collar	15	27.8	26	29.5	42	40.0	62	36.0
	Other	6	11.1	15	17.0	10	9.5	2	1.2
U.S., State	Violent*			34	50.7	42	53.8	56	65.1
	Narcotics			6	9.0	9	11.5	10	11.6
	Violent & Narcotics	**	**	40	59.7	51	65.4	66	76.7
	White Collar			20	29.9	24	30.0	19	22.1
	Other			7	10.4	3	3.0	1	1.2
All	Violent*	24	19.2	87	34.3	90	30.0	122	34.0
	Narcotics	49	39.2	53	20.9	74	24.7	110	32.9
	Violent & Narcotics	73	58.4	140	55.1	164	54.7	240	66.9
	White Collar	45	36.0	77	30.3	115	30.3	113	31.5
	Other	7	5.6	37	14.6	21	7.0	6	1.7

\* Violent Crimes include: homicide, rape, kidnapping, explosives and weapons offenses, terrorists, offenses, air piracy, arson, destruction of property, obstruction of justice, extortion, robbery, etc.

\*\* Handled by Legal Adviser, Department of State. No records or statistics kept.

NOTE: A fugitive whose extradition was sought for more than one crime category is counted as a multiple statistic for purposes of this chart.



# Department of Justice

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STATEMENT OF GLENN L. ARCHER, JR.

ASSISTANT ATTORNEY GENERAL

TAX DIVISION

U.S. DEPARTMENT OF JUSTICE

CONCERNING LAW ENFORCEMENT PROBLEMS ARISING  
FROM FOREIGN BANK SECRECY LAWS AND PROPOSED REMEDIES

BEFORE THE  
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
COMMITTEE ON GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

MARCH 15, 1983



Mr. Chairman and members of the Subcommittee:

Thank you for the opportunity to appear before you and present the views of the Tax Division regarding the use of offshore banks and other foreign entities by United States citizens. We welcome these hearings in light of the increasing misuse of offshore jurisdictions in order to circumvent domestic law, including our tax laws.

At the outset, I would like to place the role of the Justice Department's Tax Division in perspective. The detection, selection and development of criminal tax cases is primarily the responsibility of the IRS. The Tax Division is responsible for authorization of prosecutions and grand jury investigations of tax offenses and supervision over prosecutions and investigations conducted by the United States Attorneys.

In a number of cases, the Tax Division assumes responsibility for conducting the grand jury investigation or prosecution. These cases often involve offshore transactions. Our staff also works closely with the Criminal Division, particularly the Office of International Affairs, in treaty negotiations and advises the Treasury Department's International Tax Counsel concerning exchange of information provisions of tax treaties. In addition, we assist United States Attorneys with regard to foreign information gathering and evidence problems, including the initiation of formal requests under tax conventions and mutual assistance treaties.

The use of offshore banks, corporations, trusts and other entities located or formed in foreign countries for illegal activities creates some of the most difficult and vexing problems facing those of us in tax enforcement and litigation today. These cases include the laundering of profits from both legal and illegal business activities and the use of nominee entities and fictitious transactions to create tax shelter deductions or to promote various tax protestor schemes. The money laundering problem is not, of course, confined to the tax area -- it impacts on the enforcement of many other areas of criminal priority, such as narcotics trafficking, securities fraud, and organized crime. Overall, money laundering has become one of the most important and vital aspects of criminal activity generally.

In solving crimes involving offshore banks, the investigator and prosecutor are faced with several significant difficulties: first, discovering where and when money laundering, fictitious transactions and sham entities have occurred or been used; second, obtaining sufficient information and leads to follow the complex schemes that are employed; and, third, securing documents, testimony and other evidence that will be admissible in court to prove the criminal violations. Enormous resources, both investigative and prosecutorial, must be committed to ferret out and convict the perpetrators of these unlawful offshore activities and, in the case of tax crimes, additional resources are necessary to proceed with the audits and investigations necessary to determine civil tax liabilities and thereafter to collect such liabilities.

Following hearings before the Ways and Means Subcommittee on Oversight in 1979, the Commissioner of Internal Revenue, the Assistant Attorney General, Tax Division, Department of Justice, and the Assistant Secretary of the Treasury (Tax Policy) asked Richard A. Gordon to accept an appointment as IRS Special Counsel for International Taxation and to conduct an in depth study of the tax haven problem. In January, 1981, Mr. Gordon submitted a report entitled "Tax Havens and Their Use by United States Taxpayers--An Overview" that has come to be known as the "Gordon Report." A principal finding of the Gordon Report was that despite the Government's efforts to curtail the use of offshore tax havens for tax evasion and avoidance purpose,

legal and illegal use of tax havens appears to be on the increase . . . by taxpayers ranging from large multinational companies to small individuals to criminals [who] are making extensive use of tax havens.

The Gordon Report also found that tax havens thrive largely due to the presence of foreign banks, the prime subject of this Subcommittee's hearings.

Despite these findings, too few people, both in and out of Government are adequately informed of the pervasiveness of the use of tax haven countries for money laundering and other illegal activities. As in many areas, and I think this is one of them, it is frequently difficult to combat a crime problem without a strong public awareness and concern.

In view of its dimensions, it is ironic that this problem has not received more attention. Reliable overall statistics on money laundering and fictitious transactions for tax evasion

are not available, but the best estimates are that we are not dealing with millions of dollars or hundreds of millions or even a few billions. The scope of the problem is probably in the many billions of dollars annually.

An indication of the scope of the problem is suggested by statistical information gathered by the Federal Reserve System of net cash surpluses flowing into or out of particular areas. In Miami, the net cash surpluses had grown dramatically as drug trafficking become widespread and prevalent in the area. An enforcement project in Florida directed at money laundering, called Operation Greenback, in which the IRS, the Justice Department and other agencies participated, caused some dramatic shifts. In an adjacent area, for example, the net cash surpluses grew from 304 million to 835 million in a single year. It is believed that this increase occurred due to the diversion of funds from Miami as the result of the success of Operation Greenback.

Looking at it another way, the small island of Anguilla not more than three years ago had only three banks, but today reportedly has 96. Of the 96, only one apparently has a vault. Paper banks in the Mariana Islands, a U.S. Trust Territory, are being actively marketed in the United States. Brokers of these banks often intimate, without specifically stating, that these offshore banks can be used for illegal purposes or concealment.

As an illustration, one piece of promotional material advertises the advantages of being the first on the block to own your own bank. It describes a means of increasing net

worth by recycling of funds and concludes -- and I quote: "Theoretically this process may be recycled over and over again; however, its overall effect after several recyclings would appear fraudulent. Therefore, this technique should be used like sugar in coffee, very sparingly."

Many other examples could be cited, including prosecutions by the Criminal Division, the Tax Division and the United States Attorneys in a myriad of specific money laundering, fraud, tax evasion and other criminal schemes, including those of tax protestors who engineer sham transactions through the sale of "common law trusts" established through offshore banks which they own or control. Suffice it to say that the scope of the tax haven problem is huge and that the efforts to combat it, while significant, important and increasing, have to date not reached a desirable and necessary level. I understand that all law enforcement components in Government dealing with these problems believe that the use of offshore banks and other entities for illegal activities continues to grow.

There are a number of current initiatives and developments to confront and attack the offshore problems. Many of these are encouraging. But the concealment, the wide variety of uses made of offshore jurisdictions and their laws, and the size and complexity of many of the transactions make our efforts at this time seem small and inadequate by comparison.

As I indicated before, an awareness of the problems is a vital first step in confronting the many illegal activities involved. The public, the Congress, others in Government

not directly involved in law enforcement, and the media, all need further education and enlightenment. Hearings like this serve an extraordinarily useful purpose in this regard.

In the closely related area of narcotics trafficking, the President and Attorney General Smith have adverted to the offshore money laundering problem. They have created the Drug Task Forces not only to interdict and stem the importation and distribution of narcotics in this country, but also to take the profit out of this invidious business. Thus, many of the investigations and prosecutions by the Task Forces will be directed at large scale and organized groups, with particular emphasis on their financial dealings and financial backers.

With respect to the offshore evidence gathering problems, there are also new initiatives being undertaken. Recently, our Division in conjunction with the Criminal Division and the Executive Office of United States Attorneys held an extremely productive conference on obtaining evidence from offshore jurisdictions for criminal purposes. We brought together for the first time a large representative number of prosecutors with experience in obtaining foreign-source evidence. We also included representatives from all of the investigative agencies in Government that are encountering criminal activity involving the use of foreign banks, trusts and other entities. These agencies included the FBI, DEA, Customs Service, IRS Criminal Investigation Division, SEC, the Federal Reserve, Comptroller of the Currency, Postal Inspection Service, and U.S. Marshals Service. And we plan



to hold further conferences of this type to coordinate activities and to seek administrative and legislative solutions to the offshore problem.

The President's Caribbean Basin Initiative legislation could provide a major breakthrough against bank and commercial secrecy in the Caribbean. The legislation contains provisions that countries in that area must relax secrecy through the negotiation of effective bilateral agreements with the United States before certain U.S. tax benefits would become available. Based on the recognition that the economies of many of these countries are highly dependent upon American tourist trade, that legislation would extend the convention tax deduction rule to Americans attending business seminars and conventions in those countries which had a bilateral agreement in place.

The bilateral agreements contemplated by the Caribbean legislation are not the ordinary exchange of information clauses now contained in our tax treaties. Rather the agreements would be similar to mutual assistance treaties insofar as tax matters are concerned. Both civil and criminal tax information would be covered and the information turned over would have to be in a form usable as evidence in a court proceeding. Of course, not all of the Caribbean countries with bank and commercial secrecy laws are dependent on tourism, but this legislation certainly is a large step in the right direction. It is important that tax, economic and other pressures be brought on all tax haven countries in a coordinated way if the use of offshore jurisdictions for U.S. criminal activities is to be curbed.



Another development is the effort to include stronger exchange of information provisions in tax treaties being negotiated by Treasury Department officials. We in the Justice Department are particularly pleased with the coordination and cooperation we are receiving from the Treasury Department. Both the Tax and Criminal Divisions have been provided the opportunity to assist Treasury in formulating policies and specific treaty provisions. We are hopeful that some of these negotiations may result in exchange of information provisions that will increase the information and evidence available for prosecuting tax crimes.

As described in detail by Assistant Attorney General Jensen, efforts are also being made to negotiate mutual assistance treaties.

With respect to tax offenses, a principal source of information is the informational reports required by the Internal Revenue Code. Unless the participants in the international transaction are required by law to supply the information, and do supply the information when it is required, the transaction often remains undetected. The Government also needs to improve its analysis of information already available to insure that international transaction information gaps do not exist. Additionally, we must continually alert our investigators and prosecutors to the sources of available information. The Tax Division believes that careful study ought to be given to the creation of a single list of sources

of information about foreign transactions that is currently available within the Government.

Some recent decisions involving the enforcement of summonses issued by the IRS and grand jury subpoenas in tax cases indicate, I believe, that some progress is being made through litigation concerning offshore evidence problems.

The most important cases in a tax context are United States v. Vetco, Inc., 644 F. 2d 1324 (9th Cir., 1981) decided by the Ninth Circuit in 1981, and In re Grand Jury Proceedings, United States v. Bank of Nova Scotia, 691 F. 2d 1384 (11th Cir., 1982) decided by the Eleventh Circuit last November. In Vetco, the court upheld the enforcement of an IRS summons issued to Vetco for records of its Swiss subsidiary. Vetco argued that compliance would require the Swiss bank to violate Swiss secrecy laws which make it a criminal offense to disclose business records. The court applied the balancing test set forth in the Restatement of the Law of Foreign Relations and concluded that the strong American interest in collecting tax and prosecuting tax fraud justified an intrusion on Switzerland's interest in preserving secrecy of such records.

In the Eleventh Circuit decision in Bank of Nova Scotia, the Government was successful in obtaining bank records from the Nassau branch of a bank that also had a Miami branch on which the subpoena was served. No question of jurisdiction was involved but the bank contended that Bahamian bank

secrecy law prevent its compliance and would subject it to criminal liability if it complied. Again, the balancing test was applied and the court's conclusion was that the investigatory function of the U.S. grand jury outweighed the Bahamian secrecy interest.

These cases are important where there is a contact in the U.S. sufficient to support the summons or subpoena. Problems with corporations or other entities in offshore jurisdictions arise, however, where they have no U.S. contact through parent or subsidiary or by doing business or otherwise being present in the U.S. Thus, these decisions, while a step in the right direction, will not solve all of the problems. Indeed, the path toward a comprehensive solution is not through the courts, but rather through negotiation of treaties and the exchange of information agreements for law enforcement purposes generally and for tax cases in particular. While there has been some progress in that area as well, more can and will be done. Yet as long as governments provide anonymity for criminal transactions by maintaining strict confidentiality of bank and corporate records, permitting anonymous corporate ownership through bearer shares or nominees and promoting these "benefits" for the conduct of illegal activities, we will continue to encounter difficulty in investigating and prosecuting these tax fraud schemes.

In closing, I would like to make the following observations. In testimony last year, I illustrated the complexity of these problems by referring to illegal, widely promoted

tax shelters that use fictitious transactions through multiple offshore entities and banks. My conclusion then, and it still is, was that each prosecution of a major scheme in the shelter area involved a major outlay of resources by both the Internal Revenue Service and the Department of Justice in the investigation, preparation and trial of the case. The same can be said of money laundering schemes, offshore "common trusts" created by tax protestors and many other criminal activities we face today. With the advent of easy travel to foreign jurisdictions, the sophistication of planning that goes into these illegal transactions, the proliferation of banks and trusts and other entities to attract ill-gotten gains, and finally the secrecy and concealment that is inherent in these criminal activities, the law enforcement community has a formidable job for which both the tools and manpower are essential.

The potential for damage to our voluntary tax system by the misuse of offshore banks must be recognized and every effort must be made to deal with the offshore problem. Given the ramifications of illegal use of offshore banks and other foreign entities at a time of fiscal austerity and budget deficits, these hearings are timely. I am certain that this Subcommittee will build a record that can result in positive legislative and administrative recommendations to make tax administration and law enforcement more effective.

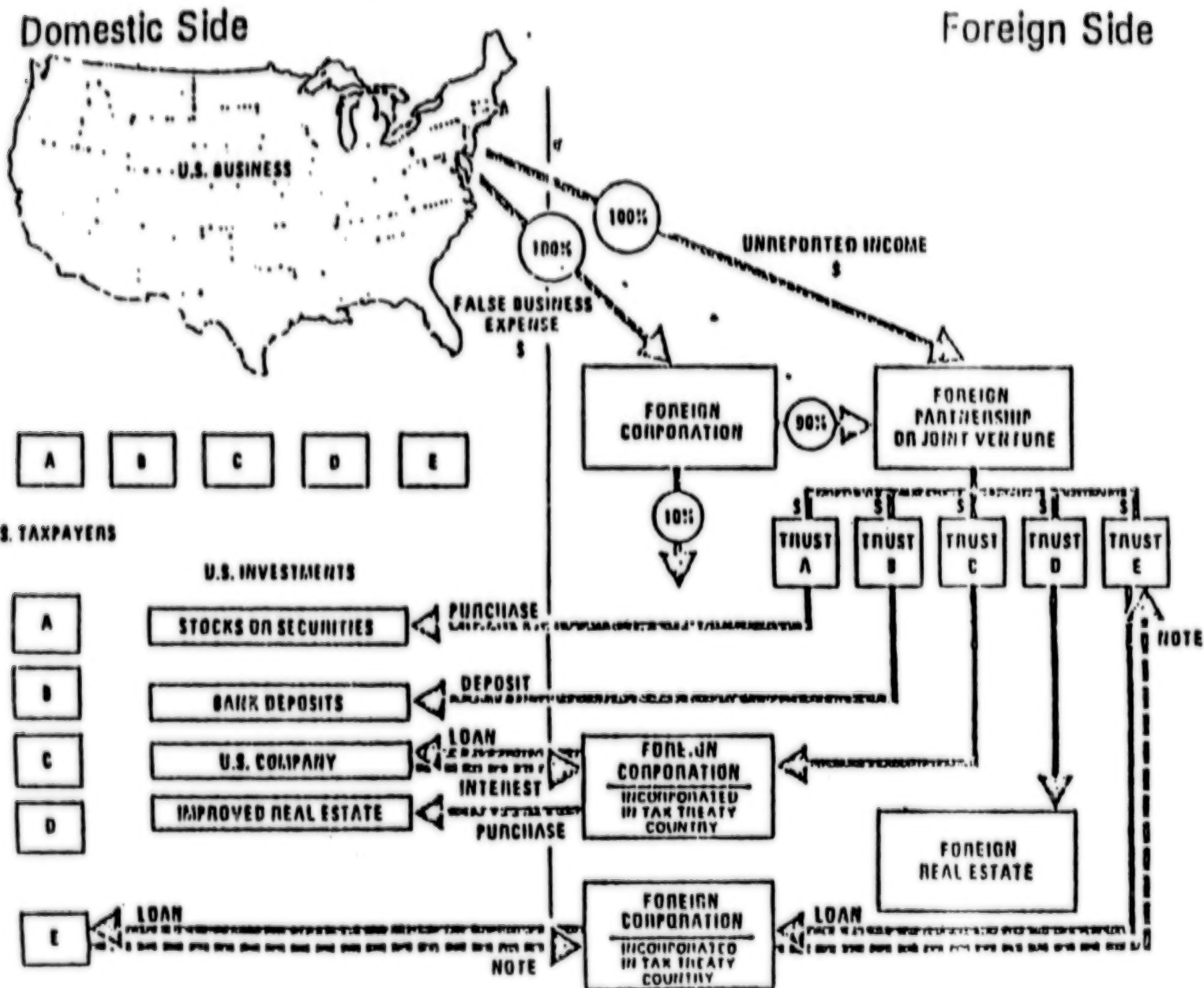
In order to give the Subcommittee some idea of how offshore transactions are used for tax evasion an Appendix to my statement

includes illustrations of tax evasion schemes using offshore banks. In addition, we have provided the Subcommittee with a copy of a recent indictment which shows how an offshore "common trust" scheme was marketed by a tax protestor.

I would be pleased to answer any questions that the Subcommittee may have.

**APPENDIX A**

# TAX HAVEN SCHEMES





### TAX HAVEN SCHEMES

The ways in which United States taxpayers use offshore banks to evade taxes are numerous. By either claiming false business deductions or "skimming" business profits, tax evaders secretly "fund" accounts in foreign banks and trusts. For a fee, foreigners often help to conceal the transactions. Repatriation of the untaxed funds takes many forms. The most common ways of repatriation are highlighted in the attached illustration.

The diagram depicts five individuals, A, B, C, D and E, who operate a U.S. business and evade taxes by both false deductions and "skimming." These untaxed funds are "laundered" through a foreign corporation that keeps 10% for its role in providing an ostensible business purpose for the deduction or otherwise assisting in the scheme. The remainder of the funds are deposited in foreign bank accounts controlled by the taxpayers. The secret bank accounts are often listed as assets of a foreign partnership or foreign situs trusts. Each individual uses a different method to enjoy his share of the untaxed funds. In brief, the repatriated funds ostensibly appear to be either legitimate loans or investments made by foreign persons. Provisions of the Internal Revenue Code and tax conventions that provide favorable tax treatment to actual foreign investors are exploited by the tax evaders. As a result, interest income, capital gains on securities and real estate transactions and other similar income escape taxation.

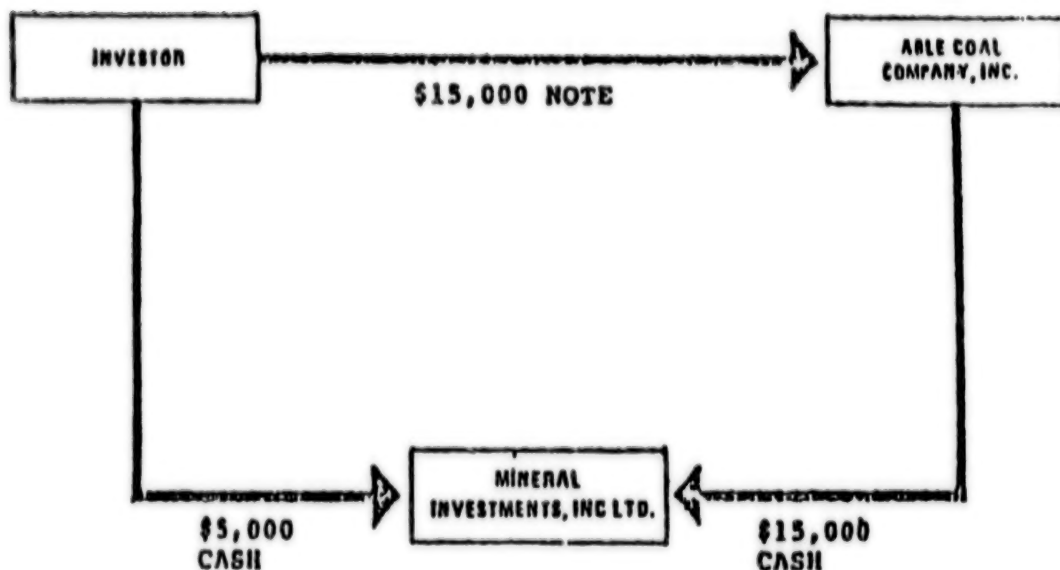
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APPENDIX B

TAX SHELTER  
MONEY CIRCLE--ADVANCE MINIMUM ROYALTY PAYMENT

1/



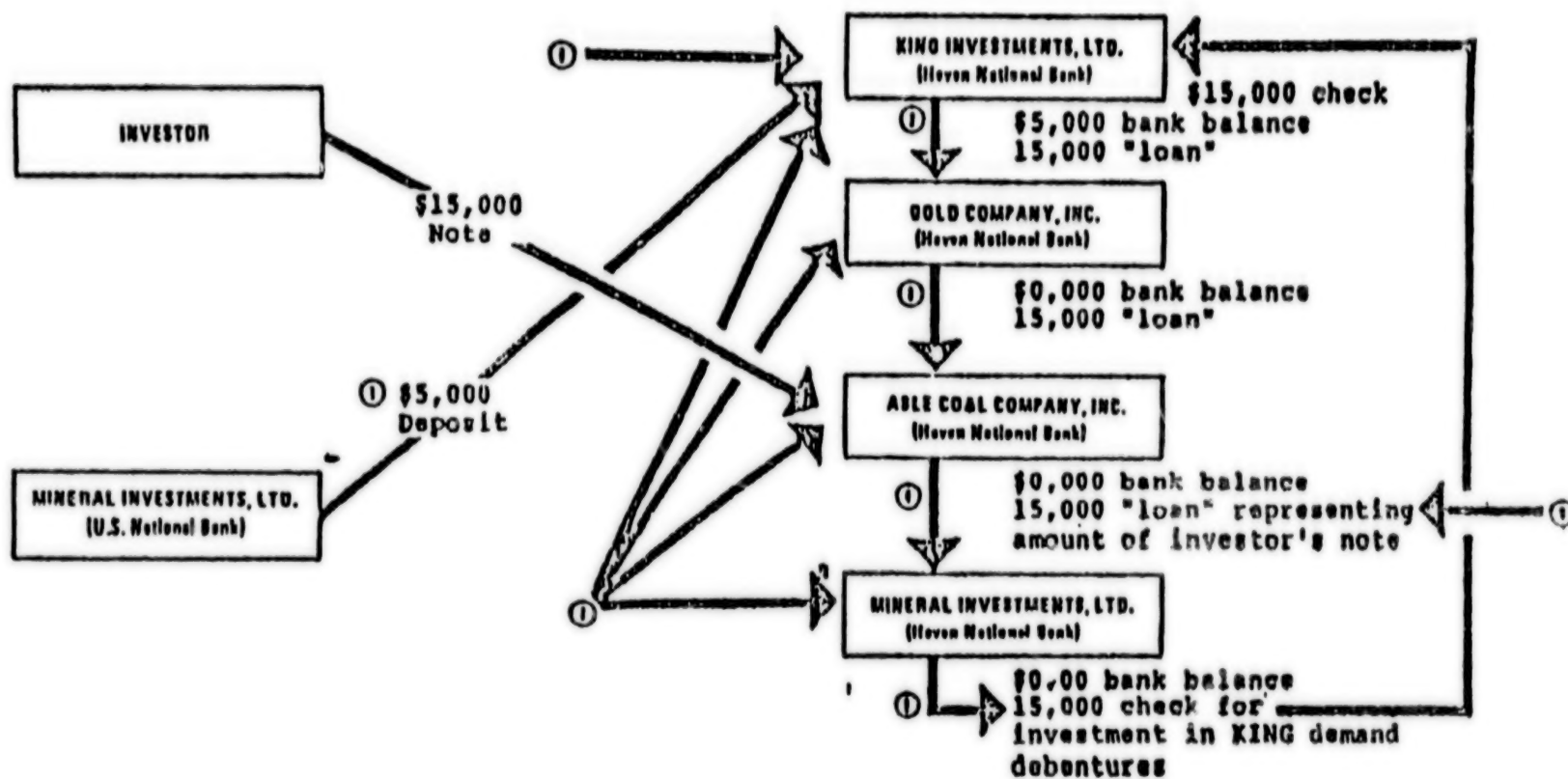
1. With an initial cash investment of \$5,000, the investor acquires rights in mineral leases offered by Mineral Investments, Ltd.
2. Investor is required to make an advance minimum royalty payment of \$20,000 as part of the purchase price.
3. Able Coal Company, Inc. loans the investor the additional \$15,000 necessary to make his advance minimum royalty payment.
4. Able Coal Company, Inc. pays the \$15,000 directly to Mineral Investments, Ltd.
5. The investor claims the entire \$20,000 advance minimum royalty payment as a deduction in the current year.
6. The investor is assured by the promoter that he will not have to repay the \$15,000 note.

TAX SHELTER SCHEMES

Offshore banks are often used as part of illegal tax shelter schemes. A common aspect is a fraudulent "money circle" or "check swap." The tax shelter promoter attempts to create an illusion that deductible business expenses exist or that a depreciable asset has a high cost basis. Foreign entities appear to be the source of loans to finance the expenditures. In reality, either no funds are loaned or the funds actually loaned are insignificant. The entire transaction is a "paper" charade.

To conceal the fraudulent nature of the loan, a circle of entities, all controlled by the promoter, simultaneously negotiate a series of checks. All entities maintain bank accounts at the same offshore bank. None of the accounts has sufficient funds to cover the checks. All checks are negotiated on the same day. Thus, the debits and credits to each account balance. The money circle is complete. The promoter has documentation to corroborate ostensible expenditures. The attached diagrams show, first, the appearance and, second, the reality of a "money circle." To uncover the fraud, the investigator needs access to the offshore banks records.

**TAX SHELTER**  
**MONEY CIRCLE--ADVANCE MINIMUM ROYALTY PAYMENT**  
 (ACTUAL)



① All four of these entities are owned and controlled by the promoter.

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TAX SHELTER  
MONEY CIRCLE--ADVANCE MINIMUM ROYALTY PAYMENT

1. Investor's \$5,000 cash payment is deposited in King Investments, Ltd's account at Haven National Bank, a bank located in a tax haven country.
2. King Investments, Ltd. issues a check for \$15,000 to Gold Company, Inc., a related corporation, despite the fact it has only \$5,000 in its account.
3. Gold Company, Inc. issues a check for \$15,000 to Able Coal Company, Inc., a related corporation, despite the fact it had a zero balance absent the deposit of King Investments, Ltd's worthless check. This check is purportedly a loan to Able Coal Company, Inc.
4. Able Coal Company, Inc. issues a check for \$15,000 to Mineral Investments, Ltd., a related corporation, despite the fact it had a zero balance absent the deposit of Gold Company, Inc's worthless check. This check represents the loan made by Able Coal Company, Inc. to the investor for 3/4 of his advance minimum royalty payment to Mineral Investments, Ltd.
5. Mineral Investments, Ltd, by issuing a check for \$15,000 to King Investments, Ltd, completes the money circle. This check is written despite the fact Mineral Investments, Ltd. had a zero bank balance absent the deposit of Able Coal Company, Inc's worthless check. This check is purportedly issued for investment in King Investments, Ltd. demand debentures.
6. All of these companies are owned by the promoter and were organized by him in a tax haven country.
7. All of these companies maintain bank accounts at the same offshore bank.
8. The offshore bank, Haven National Bank, processed the checks even though there were insufficient funds in each account to cover these checks.
9. This money circle was created to give the impression that the \$15,000 loan made by Able Coal Company, Inc. to Mineral Investments, Ltd. for the investor's advance minimum royalty payment was a bona fide loan from a non-related corporation.
10. In reality, this purported \$15,000 loan on which the investor based his deduction was nothing more than a sham, as this money circle merely created the appearance of a loan. By controlling the companies involved and by using accounts at the same bank on the same day, the promoter devised a ruse that generated cancelled checks and other trappings of loans when, in fact, there were no loans.



FOR RELEASE ON DELIVERY  
March 15, 1983

STATEMENT OF THE HONORABLE JOHN M. WALKER, JR.  
ASSISTANT SECRETARY (ENFORCEMENT & OPERATIONS)  
U.S. DEPARTMENT OF THE TREASURY  
BEFORE THE  
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
OF THE  
COMMITTEE ON GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

Mr. Chairman and Members of the Subcommittee;

Thank you for the opportunity to present our views on the problems raised by the use of foreign corporations and financial institutions to facilitate violations of U.S. law. Our interest in this subject flows naturally from the interests and functions of two Treasury law enforcement agencies, IRS and Customs, to protect the revenue and our national economic interests, as well as to collect taxes and duties. In addition, since the passage of the Bank Secrecy Act in 1970, we have had a special responsibility with respect to transnational investigations.

When the Bank Secrecy Act was introduced by the Chairmen of the Senate and House Banking Committees, it was clear that they intended the Bank Secrecy Act to play a major role in combatting the use of foreign bank accounts to facilitate violations of U.S. laws. During the hearings that preceded the passage of the Bank Secrecy Act, officials from several government agencies testified concerning the need for assistance in identifying suspicious transactions and movements of currency and documenting international transactions in general. The Act was intended to assist law enforcement officials by providing for the retention of records of all significant international transactions as well as reports of unusual domestic currency transactions, the international transportation of currency and other monetary instruments, and reports of international financial transactions or accounts. It is the linchpin for all investigations of financial activity; it was specifically designed to deter transnational crimes.

The reporting requirements of the Bank Secrecy Act provide a unique way to follow unusual cash flows including cash flows caused by major drug traffickers and their money launderers. Indeed, the tracking of cash flows through the reporting requirements of the Act frequently leads to the identification of drug trafficking organizations. As an added bonus, the Bank Secrecy Act imposes criminal sanctions on those who fail to comply with its requirements. The major narcotics trafficker, who carefully insulates himself from actually handling drugs, can still be brought before the bar of justice for failure to comply with the reporting requirements of the Bank Secrecy Act or for income tax violations, even though there may be an inability to establish the underlying narcotics offense.

The Act authorizes the Secretary of the Treasury to issue regulations to carry out the purposes of the Act. The principal provisions are:

1. Banks and other financial institutions must maintain records that the Secretary determines have a high degree of usefulness in criminal, tax, or regulatory investigations.
2. They must report to the Treasury Department transactions involving currency or other monetary instruments as the Secretary may require.
3. The international transportation of currency and other monetary instruments in excess of \$5,000 must be reported to the Treasury Department.
4. The Secretary must require U.S. citizens, residents, and persons doing business in the United States to maintain records or file reports, or both, of foreign financial transactions.

#### Regulations

After considering the Congressional mandate expressed in the Act and the committee reports, the Treasury Department issued regulations which currently contain the following recordkeeping requirements:

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1. All financial institutions are required to maintain the following records:
  - a. Instructions, given or received, concerning the transmission out of the U.S. of credit funds, currency or other monetary instruments, checks or securities of more than \$10,000.
  - b. Each extension of credit in excess of \$5,000 except for those secured by real estate.
2. Banks, savings and loans, and credit unions must also retain a copy of the following records:
  - a. Documents granting signature authority over each deposit or share account.
  - b. Statements of accounts.
  - c. Checks and other charges in excess of \$100 that are posted to accounts. (Checks drawn on certain volume accounts are exempted.)
  - d. Each check or other item in excess of \$10,000 transmitted outside the U.S.
  - e. Each check or draft in excess of \$10,000 drawn on or issued by a foreign bank which is paid by the domestic bank.
  - f. Each check in excess of \$10,000 received directly from a foreign financial institution.
  - g. Records of each receipt of currency, other monetary instrument, securities, checks or credit received from a foreign financial institution.

- h. Records necessary to reconstruct a checking account and to furnish an audit trail for each account transaction over \$100.
3. Securities brokers under the supervision of the SEC have been subject to recordkeeping regulations for many years. The Treasury regulations, however, added the requirement that brokers obtain a signature card or similar document establishing trading authority over an account and make a reasonable effort to obtain a Social Security number of each account.

In addition, the regulations prescribed the following reporting requirements:

1. Financial institutions are required to report to the IRS domestic currency transactions in excess of \$10,000 (IRS Form 4789). Transactions with retail type businesses and other domestic banks are exempted.
2. Except for certain shipments made by banks, the international transportation of currency and certain other monetary instruments in excess of \$5,000 are required to be reported to the Customs Service (Customs Form 4790).
3. U.S. persons are required to report annually a financial interest in or signature authority over a foreign financial account. Certain records of such an account are required to be maintained in the U.S.

#### Compliance Responsibilities

Sections 123 and 205 of the Act, which gave the Secretary the responsibility for assuring compliance, also gave him authority to delegate such responsibility to the appropriate bank supervisory agency or other supervisory agency.

In accordance with that authority, the responsibility for assuring compliance with the requirements of the regulations has been delegated as follows:

1. To the Comptroller of the Currency, with respect to national banks and banks in the District of Columbia;
2. To the Board of Governors of the Federal Reserve System, with respect to State bank members of the Federal Reserve System;
3. To the Federal Home Loan Bank Board, with respect to insured building and loan associations, and insured institutions as defined in section 401 of the National Housing Act;
4. To the Administrator of the National Credit Union Administration, with respect to Federal credit unions;
5. To the Federal Deposit Insurance Corporation, with respect to all other banks except agents of foreign banks which agents are not supervised by State or Federal bank supervisory authorities;
6. To the Securities and Exchange Commission, with respect to brokers and dealers in securities;
7. To the Commissioner of Customs with respect to reports of transportation of currency or monetary instruments and forfeiture of currency or monetary instruments;
8. To the Commissioner of Internal Revenue except as otherwise specified. This means, in effect, that the IRS has the responsibility for enforcement of those sections requiring persons who have foreign bank accounts to report them and to keep records pertaining to them, and those sections requiring financial institutions to report large and unusual currency transactions, as well as a responsibility to make certain that dealers in foreign exchange, transmitters of funds, unsupervised or secret agents of foreign banks, and similar financial institutions are complying with the recordkeeping provisions of the regulations.

Overall responsibility for coordinating the procedures and efforts of the agencies listed above and for assuring compliance with the regulations has been delegated to my office.

The regulations were designed to provide an integrated system for tracing and documenting the overwhelming majority of financial transactions that might be of interest to investigators. Financial institutions are required to maintain records of checks, wire transfers, and other movements of funds and be able to reconstruct transactions accounts. The currency transaction reports and reports of the international movement of monetary instruments are intended to fill the gaps in the system resulting from the use of currency and bearer instruments. In addition, the reports are also intended to alert the law enforcement community to specific activity that appears to warrant investigation.

We recognize that we are very dependent on the Federal bank supervisory agencies. Their bank examiners have the primary responsibility for the enforcement of the regulations. The examiners must see that the records are retained and the unusual currency transactions are properly reported. In recent years, they have made a major commitment to the enforcement of the Bank Secrecy Act. In 1981, they began using expanded examination procedures which require them to review retained copies of currency transaction reports and to ascertain that a financial institution has a program of employee education, written operating procedures, and an adequate internal compliance program.

#### FLEC

In 1982, the Financial Law Enforcement Center (FLEC) was established within Customs. The Center has assumed the responsibility for collecting, collating, and analyzing the report data obtained from the three reports required to be filed with the Treasury Department under the provisions of the Bank Secrecy Act. These functions were performed previously by the Reports Analysis Unit which was superseded by FLEC. FLEC assists law enforcement agencies in developing strategies that will exploit the vulnerability of the financial aspects of criminal activity. FLEC combines the talents of criminal investigators intelligence research analysts, and ADP specialists into one integrated organization. At the present time, both Customs and IRS have assigned employees to FLEC.

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### Administrative Actions

In 1980, we realized from our review of compliance in Florida that the regulations pertaining to the currency transaction reports needed to be tightened up. Some banks had been exempting individuals with Latin American addresses from the currency transaction reporting requirements because these persons brought large amounts of currency into the bank on a regular basis. Unfortunately, too often these customers also happened to be suspected drug traffickers. In addition, some banks frequently accepted shopping bags or boxes of currency from couriers whose identity they did not bother to verify.

The regulations were amended in 1980 to limit a bank's authority to exempt currency transactions from the reporting requirements. Only deposits and withdrawals by an established depositor, who is a U.S. resident and operates a retail business in the U.S. can be exempted without the approval of the Treasury Department. More specific identification requirements were also provided. Financial institutions are now required to verify the identity of persons who conduct reportable currency transactions with them. The identity of aliens and persons who are not U.S. residents must be made by passport, or some other official document. While these changes have created an additional burden for banks, there is no doubt in my mind that they were justified.

We have taken several other actions to improve filing compliance and the quality of the currency transaction report data base:

1. The IRS corresponds on reports which do not meet the minimum criteria for processing and, if they are unable to resolve the problem through correspondence, the report is referred to the responsible supervisory agency.
2. The IRS is revising Publication 1148 in order to provide more detailed instructions for the preparation of the currency transaction report.
3. Guidelines for the compliance agencies to use in recommending civil penalties for violations of the regulations are now in the final review process.



4. The Florida State Banking Division has been very active in checking state chartered banks for compliance with the reporting provisions. We have been assisting them in that effort and have been exploring other ways in which they could help with the money laundering problem in Florida.
5. We have been developing summary reports of the report data for use by the bank supervisory agencies in checking compliance with the currency transaction reporting requirements and in identifying areas of the nation where compliance appears to be low.

Obviously, as the quality of the data base improves, the more useful it will become, not only for individual investigations but for analytical reports. For example, we have found that analysis of the volume of currency transactions between U.S. banks and foreign persons or institutions is very valuable in indicating areas where additional investigative action should be taken.

#### Operation Greenback

In 1980, Treasury's Office of Enforcement and Operations, with the cooperation of the IRS, Customs, and the Department of Justice, developed Operation Greenback. It is an integrated investigation of the huge surplus of currency in the Federal Reserve banks in Florida which we believe results, in part, from illegal activity. The surplus grew from \$1.5 billion in 1976 to a peak of \$5.8 billion in 1980. In 1982 it declined to \$5.3 billion. Operation Greenback was based primarily on two concepts. First, an attack on the illegal activity associated with the currency could be made through the financial operations of the violators. The tax laws and the reporting and recordkeeping requirements of the Bank Secrecy Act, could be effectively employed in this effort. Second, the criminal investigations should be integrated through the use of the grand jury process with Federal prosecutors coordinating all of the related investigations. Since the inquiry is being conducted under the authority of a grand jury, all of the Federal agents participating in it can pool information, including tax or other financial information. This kind of sharing which streamlines the investigative process, is not permitted under the procedures governing administrative inquiries.

The Operation Greenback strategy also included certain administrative actions. Through the analysis of Federal Reserve bank records, currency transaction reports, and related information, Treasury identified 24 banks that had handled unusually large amounts of currency. Those banks were given special indepth examinations by the Federal banking authorities. The examinations identified several institutions where investigations of possible criminal violations were initiated. The IRS was also encouraged to undertake civil tax examinations of those persons involved in unusual, large currency transactions.

Operation Greenback has documented \$2,065,000,000 in U.S. currency that has been laundered through international transactions by seven different organizations. The amounts for each are listed below. The schedule does not necessarily include all of the currency laundered by each organization, nor the entire length of time it was in operation.

<u>Case Designation</u>	<u>U.S. Currency Laundered</u>	<u>Time Frame</u>
A	\$ 300,000,000	2 Years
B	500,000,000	3 Years
C	268,000,000	5 Months
D	250,000,000	20 Months
E	130,000,000	3 Years
F	300,000,000	3 Years
G	70,000,000	8 Months
H	17,000,000	8 Months
I	230,000,000	3 Years
Total	\$2,065,000,000	

The above figures are from cases either under investigation, indicted or prosecuted.

During the 30 months of operation, ending December 31, 1982, Treasury has seized more than \$28 million in currency. In addition, property in excess of \$2.5 million has been seized. Appearance bonds in excess of \$1.8 million have been forfeited and jeopardy tax assessments totalling more than \$112 million have been made. There are approximately 40 special agents from IRS and Customs assigned to Operation Greenback.

The combined effort of the IRS and U.S. Customs Service has resulted in approximately 140 indictments, 44 convictions, and approximately 90 cases are pending trial.

#### Other Significant Cases

Although Operation Greenback cases tend to overshadow the other cases, a large number of significant Bank Secrecy Act investigations are underway in many cities across the country. (More than 20 financial investigative task forces have been established throughout the United States and Puerto Rico.) Several of the investigations involve international transactions or foreign financial institutions. For example, a Federal strike force investigation initiated by Customs in Detroit resulted in the conviction, in 1981, of a group of individuals who were charged with a criminal conspiracy to launder money in order to convert corporate assets to their own use, bribe employees of commercial customers, and evade taxes. The scheme involved the transportation of monetary instruments to Canada, where they were converted to cashiers checks. Civil penalties under the Bank Secrecy Act of about \$1,000,000 were also assessed in this case.

In another case in October, 1981, a bank in California and its chairman pled guilty to Bank Secrecy Act charges that involved drugs, tax evasion, and international financial transactions. The bank official and other defendants were charged with conspiring with an attorney to provide money laundering services for narcotics traffickers who had large quantities of currency that were derived from their illegal activities. The currency was accepted by the bank and the funds were wired to trusts at the Bank of Bermuda. The funds were then wired back to the United States for the traffickers. The attorney prepared fictitious documents to make it appear that the money from the trusts had a legitimate non-taxable source.

#### Need to Amend the Bank Secrecy Act and Regulations

Mr. Chairman, as I have recited in this statement, a massive effort has been made to ensure that the records needed to trace financial transactions through banks in this country are available for law enforcement purposes. To the best of my knowledge, that effort has been very successful. Transactions that occur in this country can be documented. In addition, Customs, IRS and other Federal supervisory agencies are expending a great amount of time in obtaining compliance with the reporting requirements and in analyzing the report data. However, in spite of our successes there is abundant evidence that much more needs to be done. Information available to us indicates that millions of dollars in cash is being transported out of the country without filing

the required currency and monetary investments report. Foreign banks and corporations continue to be used to thwart our efforts to enforce the law. In my opinion, much of the weakness in the system could be overcome by making the following changes in the Bank Secrecy Act:

1. Amend Section 5316 of Title 31 by making it a crime to "attempt to transport or cause to be transported" monetary instruments in excess of \$10,000 without filing a report with Treasury (Customs).
2. Amend Section 5317 of Title 31 by authorizing Customs officers to stop and search a vehicle, vessel, aircraft or other conveyance, envelope or other container, or person entering or departing the United States if there is reasonable cause to believe there is a violation of the reporting requirements.
3. Add a new section authorizing the Secretary of the Treasury to pay rewards, except to certain Federal, State and local officers, for original information leading to the recovery of a fine, penalty, or forfeiture exceeding \$50,000. It should provide that the Secretary shall determine the amount of the reward but in no case shall it exceed 25 percent of the net amount of the fine, penalty, or forfeiture assessed. There should also be a provision for necessary appropriations.

However, I believe that the information that we have received from the investigative efforts in Florida and the analysis of financial data indicates that we also need to take action to strengthen our Treasury regulations. We are going to draft amendments to the Bank Secrecy Act regulations that would require currency exchanges and the dealers in foreign exchange to maintain adequate records of their transactions. These institutions have played a major role in laundering money in Florida and other states. They function like a bank in many respects and should be subject to the same type of recordkeeping provision as banks.

In addition, it appears that the time has come to more fully utilize the Treasury Department's authority to require reports of foreign financial transactions. There have been many statements regarding the need for law enforcement agencies



to be alerted to unusual international movement of funds by cashiers check, wire transfer, or other methods. Although the Bank Secrecy Act (31 U.S.C. 5314) would authorize a requirement that such transactions be reported to the Treasury Department, we have been reluctant to exercise it. There are too many international transactions that are related to legitimate commerce to warrant a shotgun solution to the problem. Nevertheless, it is increasingly clear that law enforcement officials need assistance in identifying those persons who are using foreign financial facilities to further their criminal activities. In my opinion, a reasonable approach to the problem would be for the Treasury Department, on the basis of information indicating that there has been a probable misuse of foreign financial facilities by U.S. persons, to impose selective reporting. For example, if there is reason to believe that banks in a foreign country are being utilized to further illegal activity, the Secretary could require specific classes of persons or domestic financial institutions to report their transactions with these foreign banks. We believe that such a requirement would be extremely useful to the IRS in tax enforcement, as well as to other Federal agencies interested in transnational crime.

Banks located in offshore tax havens are ideally suited to the purposes of the narcotics trafficker. We have seen in Operation Greenback a number of situations where U.S. currency has been laundered through international transactions. The trafficker's goal, once he has sold his product, is to hide his money or to cleanse his money so that he can put it to use without it being attributed to him as unreported income. A tax haven with bank secrecy facilitates achievement of this goal by providing a veil of secrecy over parts of the transaction, so that the taxpayer cannot be definitely tied to the flow of funds. Furthermore, the tax haven's infrastructure, which often includes modern banking and communications facilities, serves to facilitate rapid movement of funds.

The problem can be illustrated by a simple case. A narcotics trafficker arranges for a courier to carry \$200,000 in cash in a suitcase to the Cayman Islands where it is deposited in a small so-called "offshore bank". The courier does not file a Form 4790. The money goes into an account of a Bahamian registered company which is purchased for a small sum. Business transactions are then run through this company. The company then transfers \$100,000 to an account in its name at the branch of a large money center bank. The narcotics trafficker then borrows \$100,000 from the Bahamian company. Both the trafficker and the corporation claim that the loan is simply a signature loan to an individual. In fact, the loan is effectively secured by the Cayman deposit.

Similarly, the drug trafficker can get funds to an offshore bank by having a courier open an account in a Miami bank in a fictitious name and deposit large sums of cash in a short period of time. The money in the deposit can then be wired to an offshore bank and handled in the same manner as outlined above. The courier presumably "beats the system" by using a fictitious identification in an effort to avoid detection.

Amendments to the Bank Secrecy Act which would give the Customs Service an attempt provision and an outbound search authority would help in our efforts to get the courier who transports large sums of cash to offshore banking havens without filing the requisite form. The existing provisions of the Bank Secrecy Act help us to identify and prosecute the courier who makes large cash deposits in a domestic bank. The regulatory changes which we are considering would require specific domestic financial institutions to report their transactions with banks in certain foreign countries. This would assist us in overcoming the advantages of using offshore banking havens to shield questionable transactions from government scrutiny.

Mr. Chairman, I would appreciate it if the Subcommittee would consider and support these proposals. I believe that they would be major contributions to our efforts to overcome the use of foreign banks to conceal illegal activity.

SECTION VIII

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## BANK MUST TURN OVER RECORDS AT FOREIGN BRANCH TO U.S. GRAND JURY

*Compelled violation of foreign country's bank secrecy law does not create due process, comity problems in this case. ▶\$0.40 ▶140.05*

Despite the fact that it may result in the violation of a foreign country's laws, enforcement of a grand jury subpoena for records maintained at a bank's branch office in the foreign country does not necessarily violate due process or principles of comity, the U.S. Court of Appeals for the Eleventh Circuit rules. Here a federal grand jury investigating violations of the tax and narcotics laws seeks records from a bank's offices in the Bahamas. The bank contends that it would be violating the Bahamas' bank secrecy law if it turned over the records and that forcing it to do so, in these circumstances, offends due process. But the court emphasizes that the bank has not made a good-faith effort to comply with the grand jury subpoena, that the Bahamian government has not attempted to prevent the bank's compliance, and that the bank has not been denied a constitutionally required forum to recover any confiscated assets. Under these circumstances, the court says, the bank has not been denied due process.

The court also rejects the bank's efforts to invoke principles of comity to get around the grand jury subpoena. Relying on *In re Grand Jury Proceedings* (U.S. v. Field), 532 F.2d 405 (CA5 1976), the court concludes that the foreign statute, which is 'hardly a blanket guarantee of privacy, does not present a foreign interest sufficient to outweigh the U.S. government's interest in collecting taxes and ensuring an unimpeded grand jury process. (*In re Grand Jury Proceedings* (U.S. v. Bank of Nova Scotia), 11/29/82)

*Digest of Opinion:* The Bank of Nova Scotia is a Canadian chartered bank with branches and agencies in 45 countries, including the U.S. and the Bahamas. A federal grand jury conducting a tax and narcotics investigation issued a subpoena duces tecum to the bank calling for the production of certain records maintained at the bank's main branch or any of its branch offices in Nassau, Bahamas.

The bank contends that compliance with the subpoena would require it to violate the Bahamian bank secrecy law and therefore enforcing the subpoena and imposing contempt sanctions for noncompliance violates due process under *Societe Internationale Power Participations Industriels v. Rodgers*, 357 U.S. 197 (1958). The bank argues that once it has shown that Bahamian law bars production of the documents and that it is a disinterested custodian of the documents, due process prohibits enforcement of the subpoena.

[Text] In *Societe Internationale*, a Swiss holding company brought an action to recover assets seized under the Trading with the Enemy Act. The district court had ordered production of certain banking records of a Swiss bank pursuant to the government's discovery request. The holding company failed to comply with the court's order, after good faith efforts were made to comply, on the grounds that compliance would violate the Swiss penal laws. The district court then dismissed the suit with prejudice due to noncompliance with the production order. In reversing the district court, the Supreme Court did not erect an absolute bar to sanctions being imposed for noncompliance with summonses or subpoenas whenever compliance is prohibited by foreign law. \*\*\* *Societe Internationale* held only that the sanction of outright dismissal of that plaintiff's complaint could not be imposed where that plaintiff

had acted in good faith, was unable to comply because of foreign law, and was entitled to a hearing on the merits in order for the Trading with the Enemy Act to withstand constitutional challenge. \*\*\* *Societe Internationale* does not stand for the proposition that a lawfully issued grand jury subpoena may be resisted on constitutional grounds where compliance would violate foreign criminal law. \*\*\*

The bank has failed to bring itself within the holding of *Societe Internationale*. The district court found the Bank had not made a good faith effort to comply with the subpoena \*\*\*. The Bahamian government has not acted to prevent the Bank from complying with the subpoena. Finally, the Bank is not being denied a constitutionally required forum to recover confiscated assets. [End Text]

The bank also contends that comity between nations precludes enforcement of the subpoena. It argues that the district court improperly analyzed this case under the balancing test of the Restatement (Second) of Foreign Relations Law of the United States §40, adopted in *In re Grand Jury Proceedings* (U.S. v. Field), 532 F.2d 405 (CA5 1976). In *Field*, contempt penalties were upheld against a nonresident alien who, having been subpoenaed to testify before a grand jury while present in the U.S., refused to answer questions before the grand jury, despite the witness' assertion that the very act of testifying would subject him to criminal penalties in his country of residence. After balancing competing interests of the U.S. and the Cayman Islands under the Restatement approach, the court affirmed the district court's imposition of contempt sanctions against *Field*.

The situation before this court is similar to that in *Field* in all material respects, and the bank's attempt to distinguish that case must fail. The bank has been subpoenaed while subject to the jurisdiction of our courts and has been required to disclose information before a grand jury even though the very act of disclosure may subject the bank to criminal sanctions by a foreign sovereign.



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Supreme Court Uphold Decision

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In Field, the vital role of a grand jury's investigative function to our system of jurisprudence and the crucial importance of the collection of revenue to the "financial integrity of the public" outweighed the Cayman Islands' interest in protecting the right of privacy incorporated into its bank secrecy laws. The United States' interest in the instant case has not been diminished since Field was decided. The bank asserts the Bahamas' interest in the right of privacy; this interest is similarly outweighed. A Bahamian court would be able to order, under Bahamian law, production of these documents. In addition, numerous officials, employees, attorneys, and agents of the bank may disclose information regarding the account in the performance of their various functions under Bahamian law. It is incongruous to suggest that a U.S. court afford greater protection to the customer's right of privacy than would a Bahamian court simply because this is a foreign tribunal. A statute that is "hardly a blanket guarantee of privacy" does not present a Bahamian interest sufficient to outweigh this country's interest in collecting revenues and ensuring an unimpeded and efficacious grand jury process. — Morgan, J.

(In re Grand Jury Proceedings (U.S. v. Bank of Nova Scotia); CA11, 11/29/82)

#### ADMISSION OF GRAND JURY TESTIMONY DIDN'T VIOLATE SIXTH AMENDMENT

*Testimony fit within exception to hearsay rule, satisfied concerns of Confrontation Clause.* ▶100.430 ▶120.20 ▶120.40 ▶100.08

The admission at trial of grand jury testimony of a defendant's girl friend that contradicted the defendant's alibi does not violate either Fed.R.Ev. 804(b)(5) or the Sixth Amendment's Confrontation Clause, the U.S. Court of Appeals for the Sixth Circuit rules.

The defendant's girl friend married him before trial and exercised her privilege not to testify against her spouse. This step, the court says, made her "unavailable" within the meaning of Rule 804(b)(5), the so-called "residual exception" to the hearsay rule. Furthermore, her grand jury testimony possessed "circumstantial guarantees of trustworthiness." The factors identified by the court are the immunity given the girl friend, her personal knowledge of the information conveyed by her testimony, and the corroboration of the testimony's substance by other evidence.

After dealing with Rule 804, the court examines the extent to which the Confrontation Clause permits the introduction of evidence that fits within an exception to the hearsay rule. The primary concern is the statement's reliability, the court says, so the same conditions that demonstrated "trustworthiness" in the Rule 804 analysis are relevant on the constitutional question. The court also stresses the absence of any indication that the girl friend's recollection was faulty or that she would have lied about the key issue, the defendant's whereabouts.

The court stresses that it will not infer the "reliability" needed to avert Confrontation Clause problems merely from the fact that the evidence in question passes muster under a hearsay rule exception. (U.S. v. Barlow, 11/24/82)

*Digest of Opinion:* Defendant Jeffrey A. Barlow was convicted for participating in a conspiracy to steal fur garments from an interstate shipment and for committing the substantive offense stemming from the conspiracy. 18 USC 371, 659 (1976). Together with one Lewis Williams, he stole a van containing over one million dollars worth of fur garments in

the early morning hours of August 9, 1980. Barlow and Williams unloaded the furs from the van and put them in a rental truck.

During an interview with FBI agents, Barlow stated three times that he had been with Iantha Humphries, his girl friend at the time of the theft. He claimed to have been with her from August 8 at 11:30 p.m. to the next morning, August 9 at 8:00 a.m. Iantha Humphries' grand jury testimony, however, revealed that she had not seen Barlow after 11:30 p.m., August 8, until he and Williams knocked at her door approximately three and a half hours later. She also stated that she observed that they had driven the rental truck. The government was permitted to introduce the grand jury testimony against Barlow at trial under Rule 804(b)(5) of the Federal Rules of Evidence. Humphries had married the appellant before trial and exercised her privilege not to testify against her spouse which, the trial court ruled, made her "unavailable" within the meaning of the Rule.

Barlow appeals his conviction and contends that the trial court admitted the grand jury testimony of Iantha Humphries in violation of Rule 804(b)(5) and his Sixth Amendment right to confrontation.

Rule 804(b)(5) provides for the admission of statements which otherwise would be hearsay if they have circumstantial guarantees of trustworthiness equivalent to the other hearsay exceptions, and if the trial court finds that they are offered to prove a material fact and are more probative than other evidence obtainable through reasonable efforts. Although there is general agreement that grand jury testimony can be admitted under Rule 804(b)(5), differences exist as to the exact terms of its admission, particularly on the question of what constitutes "equivalent circumstantial guarantees of trustworthiness" within the meaning of the Rule.

[Text] We believe that under certain circumstances grand jury testimony can be properly admitted under the Federal Rules of Evidence. In determining whether grand jury testimony of a government witness is admissible under Rule 804(b)(5) the trial court first must ascertain whether the witness is "unavailable" within the meaning of the Rule. If a witness "persists in refusing to testify concerning the subject matter of his statement despite an order of the court to do so" he is "unavailable" for the purposes of the hearsay rules. Fed.R.Evid. 804(a)(2). In the case at bar, Iantha Humphries was clearly unavailable. She had planned to exercise her privilege not to testify against her husband, the defendant. There is no indication on the record that the marriage was a sham.

Second, the trial court must determine whether the substance of the grand jury testimony possesses "circumstantial guarantees of trustworthiness" equivalent to the other exceptions included in Rule 804. In making this determination the trial court should consider the declarant's relationship with both the defendant and the government, the declarant's motivation to testify before the grand jury, the extent to which the testimony reflects the declarant's personal knowledge, whether the declarant has ever recanted the testimony, and the existence of corroborating evidence available for cross-examination.

In the case at bar the circumstantial guarantees of trustworthiness were substantial. The declarant, Iantha Humphries, was the defendant's girl friend and had been given immunity from prosecution; therefore, she had no motive to implicate the defendant and exculpate herself. Her testimony which conflicted with the defendant's alibi conveyed information of which she had personal knowledge, that is, when, where and with whom she saw the defendant. Moreover, the other testimonial and physical evidence corroborated the substance of the grand jury testimony. The record is replete with evidence from which the trier of fact could have inferred that the defendant was not with his girl friend as he claimed but was with Lewis Williams participating in the fur theft. The extent of corroboration will vary depending on the purpose for which the grand jury testimony is offered. [End Text]

For example, a high degree of corroboration should be required if the testimony is that of an informer who conducted



**END**

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